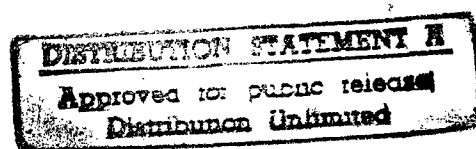


JPRS-EER-90-042  
30 MARCH 1990



# **JPRS Report**



## **East Europe**

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# East Europe

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## CZECHOSLOVAKIA

### Jicinsky on Constitutional Background of Federation

90EC0352A Prague LIDOVE NOVINY in Czech  
10 Feb 90 pp 1, 10

[Interview with Vice Chairman of the CSSR Federal Assembly Zdenek Jicinsky by Rudolf Zeman; place and date not given: "New Contents for the Federation"]

[Text] We discussed basic issues of the constitutional system of our republic with the vice premier of the CSSR Federal Assembly, Professor Zdenek Jicinsky.

[LIDOVE NOVINY] How do you see the future development of the Czechoslovak federation? Nothing much has been said about it lately. Could it be that the prevalence of certain conflicting views among the Public Against Violence and the coordinating center of the Civic Forum complicates mutual contacts in this respect?

[Zdenek] As concerns our contacts, thus far we have always been able to achieve harmony and to agree on fundamental issues. That is an advantage. Understandably, once the situation calms down a bit and certain matters may be approached with some detachment and from some perspective, we will have to come back to the basics of the federative system. This issue is essential for the existence of our state. Its solution is essential also in terms of the new constitution which should provide a new definition of the Czechoslovak federation, not in order to abrogate its initial principle—that is, equal rights for both nations—but its specific arrangement. In particular, the division of competence between the federation and the republic must be thoroughly reviewed. Precisely these problems gave rise in 1968 to serious conflicts and naturally also to some outpourings of nationalism. In those days we on the Czech part were stressing both the lack of time and the fact that there was no Czech political representation able to articulate our national political interests. The arrangement adopted in constitutional law was accepted under the pressure of time. With hindsight—if I take into consideration the process of normalization after August 1968—I must admit that if that were not so, the law might not have been adopted at all. Although at that time I did point out that the solution was needlessly complex, intricate and cumbersome, in terms of democracy it can hold its own even today. However, in 1970 the initial concept of the federation was considerably overhauled from the position of centralism, which stripped it of its intrinsic contents. Over the past 20 years Czechoslovakia was practically turned into a unitarian, bureaucratic, centrally administered state, and the federation was actually no more than an exterior facade hiding the real power structure.

Our current objective is to restore its genuine contents to the federation. This cannot be done without creating a new, integrating power because the previous one no

longer exists. It was the communist party that ruled our state and society. The monopoly of its power is gone and with it, also the integrating capacity of the CPCZ [Czechoslovak Communist Party]. Today we must follow another method to achieve integration that is necessary for the existence of our state. Because new political structures of democratic character are only beginning to emerge in the CSR [Czech Socialist Republic] and SSR [Slovak Socialist Republic], those issues remain open.

In this context we must also consider the significant processes of integration that have taken place in Europe over the past 20 years. They are connected with the organization of European communities and with all kinds of European integrations, including an integrated legal system. We have found ourselves in a difficult situation because we know very little about those processes. However, we must be aware of them when we define what will be the functions of the federation and what will be the functions of the national republics in safeguarding full national rights, and we must not obstruct the necessary processes of unification. Such processes must be introduced in our country if we want to be integrated in Europe as a full-fledged member. As such, we cannot remain aloof from the processes of integration that are underway in Europe.

[LIDOVE NOVINY] Can you make any specific proposals with regards to the formulation of the federative system in the constitution? How should the current situation be changed?

[Zdenek] I cannot answer such a specific question. For instance, in conjunction with the election law, we discussed in the Civic Forum and with our Slovak friends some proposals about possible ways to restructure the Chamber of Nations as, for example, on the basis of the principle of delegations—national councils would appoint part of their deputies to serve as delegates in the Chamber of Nations, or as the case may be, the Chamber of Nations could be composed of whole national councils that would jointly confer on certain issues. In our round-table discussion about those matters, the representatives of the Democratic Party suggested that the Federal Assembly be unicameral. That pleased me because I presented a similar proposal already in 1968. In this particular case, it is again possible to safeguard the specific concern of the Slovak nation—namely, that the Czech majority not be able to outvote the Slovak representatives. However, in our discussions we reached the conclusion that no potential restructuring of the Federal Assembly may be considered apart from the aforementioned problems of the contents of the federation. I advocated a point of view—which in the end was adopted—that the structure of our highest representative bodies should not be altered during this stage, except for the number of its deputies which should be reduced.

[LIDOVE NOVINY] What about the Moravian-Silesian phenomenon?

[Zdenek] Naturally it appeared on the scene because the relaxation of the totalitarian diktat encouraged the desire to promote various local or regional interests. Old provincial traditions with their historical origin are the outcome of different developments, characteristic customs, and specific cultural traditions. That aspect was ignored in the past by the centralist system which suppressed all that was different. Nevertheless, these problems cannot be resolved all at once; their volume would overwhelm us and distract us from tackling our main problem, which is a gradual creation of a democratic society.

In 1968 the Moravian-Silesian Society called for my removal because it regarded me as an enemy of Moravia. I certainly do not see myself in that light, but at that particular time I could not agree with the demand for a tri-partite federation, not because I would want to deny the Moravians their specific character, but because that contradicted the demand of Slovakia whose representatives saw in it a rejection of the fundamental principle of the Czechoslovak federation, which is the acknowledgment of the equal status of two nations.

We should seek a solution for these problems within the framework of the Czech statehood which is now being created. In fact, I did not exist before. The federation notwithstanding, the CSR meant nothing at all for the citizens of Bohemia, Moravia and Silesia. No one regarded it as a special privilege to have a Czech government and the Czech National Council, because their existence was of no importance for the citizens of the CSR. This time we should make every effort to give some purpose to those institutions. In this context I recognize the value of the "Moravian patriotism" so long as it is expressed in that way; I understand the desire of the Silesians to demonstrate in their emblem and in our state emblem the historical association of their territory with Czech lands. That is quite a natural impulse that agrees with people's unity with their national history; such values must be nurtured. However, we must find a correct expression for their reflection in the organization of our state.

[LIDOVE NOVINY] It is my impression that many proposals for the solution of this problem are based—obviously, due to many years under the rule of a bureaucratic system—on efforts to set up new state institutions....

[Zdenek] That would not be the best solution; we should try to make the state simpler and less expensive. Our citizens should take charge of many of their own affairs. Therefore, our aim is to develop the most versatile forms of self-government. Of course, by that I do not mean any utopian, purely communistic ideals, but self-government as a process connected with democracy. As such, it already existed in our country; before the war, many forms of local self-government were quite advanced—special interests, professional.... There are many such possibilities. We must look for them and give them appropriate institutional forms. I would then combine

the problem of Moravia with self-government and with the territorial arrangement of the CSR. Contrary to certain concepts drafted in the past that promoted two- or three-stage government in a one-sided rationalist and technocratic manner, I see the fundamental solution in the community as a social organization of citizens which must find its administrative expression in various forms of local administration or self-government. Complex relations appear here in conjunction with their financing—that is, with their own sources of income from which will show only in the future the extent to which the community will be independent. At the same time, these problems of local self-government are connected with problems of state administration, because not everything can be resolved within the community. Much will depend on the community's own sources of income; however, the guarantees of fundamental civil rights, such as the right to education or health care, must not depend on the affluence or poverty of that particular community. Such rights must be equitably ensured.

### Former Dissidents Establish Own Publishing House

90EC0285A Prague SVOBODNE SLOVO in Czech  
18 Jan 90 p 3

[Interview with Jan Sabata by Petr Prouza; place and date not given: "Atlantis Finally Sets Sail"]

[Text] When I met with Jan Sabata sometime in the summer of last year, it appeared that the publishing ship Atlantis was stuck at the pier of disfavor and resistance. Even later it did not look much more hopeful, but then came the great clash of November and Atlantis immediately set off under full sail.

[SVOBODNE SLOVO] How exactly did everything speed up?

[Sabata] The Ministry of Culture gave the cooperative its publishing authority on 30 November. The end of December we were entered into the enterprise registry and thus legally began to exist.

[SVOBODNE SLOVO] Before that, of course, a lot of time had passed. How did Atlantis come into being?

[Sabata] The idea started about two years ago among the writers. We got the practical impetus from the law on production and consumption cooperatives which theoretically made it possible for a cooperative to be formed from below, from the initiative of the citizens. I decided with Karel Coural in February 1989 to test this new legal area. We added Jana Soukupova, Ondrej Pospichal, and Slavek Popelka because the cooperative must be founded by a minimum of five citizens. When Slavek was jailed for public distribution of fliers that he had produced himself, his place was taken by Eva Vidlarova, called Truda, who had just been released from detention. In April 1989 we were joined by some writers who had just heard about the matter from Ludvik Vaculik and in Brno someone had started to put it into action! At the same

time, Vaclav Havel—in jail at the time—decided that the financial award which goes along with the Peace Prize of the German Book Sellers would be dedicated to the Fund, which was to be established by friends abroad to support the first independent publishing house in this country. It was supposed to be some kind of moral lever for the old regime to allow a similar initiative. In the words of Vaclav Havel, "When they permit us our little cooperative, we will know that freedom is coming."

After his release from jail in May he found out that the publishing house already existed, or at least there was an initiative striving for its existence, so he joined the cooperative and at the writers' meeting in Bzenec in June 1989 we definitely agreed that his initiative and our attempts belonged together. With his idea of announcing the formation of the cooperative in connection with the Frankfurt Book Exposition, what had been a localized affair took on European dimensions. In mid-August we met at Hradecek, where I was elected as cooperative chairman, Karel Coudal as trustee in charge of membership, and Milan Uhde as chief editor.

[SVOBODNE SLOVO] Could you say something more about yourself?

[Sabata] I was born in 1952 and in 1971 I had graduated, although with some problems; in November of the same year I was jailed for distributing pamphlets before the elections and received two and one-half years for subversion against the republic. After being released on probation before Christmas of 1973 I had a series of jobs in Brno, most of which were terminated by my employers. From 1980 until 1 December 1989 I worked as a health employee in the maternity hospital at the Vegetable Market in Brno where they treated me well despite the fact that the StB [State Security] regularly came by to ask about me and also to take me away from my work. Without the support and assistance of my present wife Marcela I would have had a very hard life. Currently I am devoting 90 percent of my time to the Atlantis Publishing House; right now it is for free, but they may take me on as an employee at the membership meeting sometime around the end of January. The remaining 10 percent I devote to events such as, for example, Romania, where one cannot be silent and do nothing.

[SVOBODNE SLOVO] Atlantis is coming out in a new publishing area; where do you see its place?

[Sabata] I suppose that the tasks which all the publishing houses in Czechoslovakia face can be handled only with a very wise editorial policy. After all, the abnormal situation has not lasted for just the past 20 years; at the end of the 1960's we succeeded in healing only some of the wounds caused by our literary culture in the 1950's. It is necessary to fill in all the blank spots of the past 40 years gradually and with sensitivity. There are other problems here as well. Writers who for a long time could not get published and who have perhaps several books written are anxious to see them published rapidly

because of their age or because of a feeling of having had to wait too long. In doing so sometimes they are not aware that an author who tosses his entire works on the market all at once does himself a lot of harm. Well-known authors in the West do not put out more than one or, at the most, two books a year generally, so that the market is not saturated and their works thereby devalued. I reckon that the boom in books will only last for a while, like when a dam bursts and then the situation calms down. We do not reject cooperation with anyone, but we want to maintain total independence; for this reason I decided, for example, that I will not join any political party.

[SVOBODNE SLOVO] What does the editorial plan for this year look like?

[Sabata] Besides independence, we are concerned about quality. If an author is not unfit in his works or his attitude as a citizen, there is no reason why we could not publish his works. Primarily, of course, we want to publish books by our members, but we cannot at the same time forget about authors who are starting out and who now find themselves in an unfortunate position. The specific proposal for the editorial program for 1990 includes Ludvik Vaculik's "Czech Dreambook," Josef Skvorecky's "The Story of the Engineer of People's Souls," Eda Kriseova's "Stations of the Cross of the Coachman," Jiri Grusa's "The Questionnaire," Milan Simecka's "Restoring Order," and others.

[SVOBODNE SLOVO] Will Atlantis publish any periodicals, any magazines, or newspapers?

[Sabata] Certainly MOST, whose editor in chief is Milan Uhde, with Petr Kral editing it in Paris; for the time being Jiri Grusa has been publishing it in Bonn. It is a cultural and political magazine reacting to the most basic matters because it comes out only twice a year. The proofs for the first issue should be available soon. The first issue of MORAVSKE NOVINY, which we cover only legally, has also come out. Whether we will publish any other magazines will be determined in time and our financial situation will understandably also affect our decisions. We are starting off with everything and it will also depend on the readers' interest.

## HUNGARY

### "Alliance for a Unified Europe" Established

90EC0346B Szekszard DATUM in Hungarian  
1 Dec 89 p 14

[Unattributed report: "Alliance for a Unified Europe"]

[Text] The Alliance for a Unified Europe has been established. It is the Alliance's conviction that Magyars are part of Europe and that there can be no unified Europe without them. Its objective is to abolish the borders that break up Europe, connected in its historical traditions, arts, and relationships, and to broaden the

relations between European peoples. The Alliance is engaged in establishing a democratic Europe in which respect for one another and human connections guarantee peace and cooperation between countries. The Alliance invites everyone who believes that the preservation of the identity and culture of small peoples can be accomplished in a common Europe to become members of a Unified Europe. It invites those who believe that individual freedom is the foundation of community welfare and who want to learn about and understand the culture of other peoples and nationalities. Anyone who wishes to help Hungary through peaceful means to become a full-fledged member of the European Community as soon as possible, can become a member without regard to nationality, sex, religion, or party affiliation. (The Alliance's address is Budapest XX, Erzsebet Square 3.)

### Political Interests Attributed to Pozsgay Critics

90EC0227A Budapest NEPSZABADSAG in Hungarian  
17 Jan 90 pp 1, 5

[Interview with Imre Pozsgay, minister of state, by Lajos Pogonyi: "He Was Judged Because of Party Interests and Electoral Considerations"]

[Text] Imre Pozsgay's Statement

Imre Pozsgay forwarded the following statement to the Hungarian News Service (MTI).

"At the last session of the Council of Ministers, I was entrusted with some of the tasks related to governmental supervision of radio and television. Various organizations and certain representatives of Hungary's political opposition criticized this decision, saying that the supervisor of the national media cannot be a person who directs the Socialist Party's electoral efforts. The critics are not disturbed by the verifiable fact that the statute concerning supervision does not entrust the minister of state with a single task which would grant him the authority or opportunity to make decisions on personal or political matters. Despite this, my name was mentioned in connection with decisions in which—pursuant to my scope of authority—I could not have participated.

"I sadly note that in Hungary's blossoming democracy political forces and organizations have appeared which want to replace the old lies of the past, not with truth but with new lies. It is also a fact, however, that something has to be done. We must fight against illusion and distortion. Under conditions of honest publicity and genuine parliamentarianism there is an institutional solution to this, in normal political culture the necessary tolerance. Because this is still lacking today, I was able to make only a personal decision. I decided to ask the government to relieve me of tasks related to supervision of radio and television, and entrust them to another member of the government. I would like to avoid even the appearance of my name in connection with any incompatible matter whatsoever."

Budapest, 16 January 1990 (MTI)

### Imre Pozsgay Answers NEPSZABADSAG's Questions

Yesterday afternoon Minister of State Imre Pozsgay forwarded a statement to the MTI, and in it he asked the government to relieve him of tasks connected with the supervision of radio and television. (We are printing the entire text of the statement on page five of our newspaper.) After releasing the statement, Imre Pozsgay granted an interview to Lajos Pogonyi, a member of the NEPSZABADSAG staff, and answered our newspaper's questions.

[NEPSZABADSAG] You like to stir things up in the winter months. We only need to recall the uproar caused by last year's reinterpretation of 1956, and now you have renounced supervision of radio and television. What prompted you to ask for your release?

[Pozsgay] Mainly so that I could perform my party duties unhindered or at least without major difficulties. I am convinced that without the new party and political movement to which I helped give birth and the operation of which I undertook, a stable Hungary and secure development are unthinkable. On the contrary, if the system of socialist thought and values represented by the MSZP [Hungarian Socialist Party] is swept away by an unfavorable political stream, then Hungary will be balkanized and will drift to the outskirts of political civilization. If I must fight against this, then internecine feuds and the political arguments gathered therefrom cannot prevent it. In the scramble for power in today's world, I consider values to be more important than the acquisition of power.

[NEPSZABADSAG] What are you thinking of specifically?

[Pozsgay] I hope that at least my opportunity to speak will not be suppressed. I hope that a state of honor and equilibrium comes to Hungary. A political situation in which one dictatorship replaces another dictatorship cannot come about. The battle I wage in the Socialist Party can perhaps kindle hope in people: Henceforth there will be security, i.e., progress and security are interlinked. Someone said recently on a television program that political measures that are made public fill journalists with fear. In Hungary, supposedly, 6,000 journalists live in fear.

[NEPSZABADSAG] And according to you, that isn't so.

[Pozsgay] No. This statement involves exaggerations that are subtle and hard to pin down. They distort the fact that the 6,000 journalists do not fear power in the classical sense—the various advisory boards, let us say. Rather they fear intimidation by a certain circle of their own colleagues. Believe me, it is astonishing that considering the last 10 years of party-state relations, it almost seems as if the Hungarian press was more multihued then, and more trends emerged then than nowadays. We are making slow progress here.

### What Was Said

[NEPSZABADSAG] Do you seriously believe that?

[Pozsgay] I do.

[HEPSZABADSAG] I don't agree with you entirely.

[Pozsgay] Then I'll explain. In your view, why don't those—and I'm sure there are thousands of them—whose opinions differ from that of the blusterers and trendsetters dare to open their mouth?

[NEPSZABADSAG] Would you give a concrete example?

[Pozsgay] A good example of this is the so-called television scandal and the opinion people have of it. How is it that insignificant persons can suddenly appear as heroes in Hungarian public life?

[NEPSZABADSAG] Now you're talking sense, I believe. You're surely not referring to Endre Aczel?

[Pozsgay] I include that case in the incidents mentioned.

[NEPSZABADSAG] Tell me, why are you so angry at the former editor in chief of the News? Did you actually advise Istvan Nemeskurty, chairman of MTV [Hungarian Television], to fire Aczel, as the former editor in chief of the News maintains?

[Pozsgay] That's not true. This rumor is one of the distortions I spoke about a moment ago. Naturally, I was aware of statements and reports that a whole string of political parties had demanded that Endre Aczel resign from his post as editor in chief of the News. I did no more than relay these reports. I did not demand—I was not able to demand—the dismissal of the former editor in chief.

[NEPSZABADSAG] Which parties urged or, as you put it, demanded the departure of Endre Aczel?

[Pozsgay] Those that belong to the board of directors.

[NEPSZABADSAG] Maybe these parties felt that they had nothing to gain from the much talked-about equal opportunity at the News.

[Pozsgay] No doubt. Bias against them was assumed or obvious. Of course, they ought to consult the board of directors about this.

[NEPSZABADSAG] Were the parties just mentioned also affected by prejudicial discrimination on TV programs other than the News?

[Pozsgay] Discrimination was perceived on the cultural programs "Throughout the Week" and "Till the Close of Day." Every other political party complained about the dominance of the SZDSZ [Alliance of Free Democrats] and FIDESZ [Association of Democratic Youth].

[NEPSZABADSAG] I think it's difficult to prove that allegation.

[Pozsgay] In the first place, I don't think concrete facts are necessary for this. It is desirable that it be made clear why this mistrust was able to emerge. Incidentally, it was the SZDSZ and FIDESZ who first claimed during the

summer and early autumn stage of political reconciliation talks that they had been treated disadvantageously on TV programs. They urged establishment of a select supervisory board made up of so-called independent experts. Even then within the Opposition Roundtable there was no agreement on this issue.

[NEPSZABADSAG] The schism in the television advisory board occurred not then, but even earlier?

[Pozsgay] Yes. For this very reason, the government adopted the majority viewpoint and consequently proposed establishment of the advisory board. Moreover, such a body is natural in a parliamentary democracy. But it seems to be a disruptive factor in societies which precede multiparty democracy.

[NEPSZABADSAG] On the other hand, you were mainly criticized by those parties outside the Publicity Club which were not represented on the advisory board. Did you yield to their pressure when you asked to be relieved of your duty to supervise radio and television?

[Pozsgay] This pressure undoubtedly contributed to my decision. I was criticized quite unfairly, out of party interests and electoral considerations. Because it would have become a propaganda theme and polluted Hungarian public life, I decided to eliminate the factor which gave rise to the impression that everything was Pozsgay's fault.

[NEPSZABADSAG] Your opponents are quieting down now—or are they? What do you think?

[Pozsgay] I have no illusions that my political opponents are laying down their weapons. But it is unnecessary to attack the government and the Socialist Party when they have major problems of their own. Moreover, it was not my task to assure the parties equal opportunity on television. So far no opportunity has presented itself for me to do anything to benefit my own party.

### Missing the Mark

[NEPSZABADSAG] Let's return to the TV News. According to some people, Endre Aczel had to go because you were forced to apologize publicly on the News.

[Pozsgay] That's not true. The News, by the way, acted unscrupulously against me, but that's of secondary importance. The new editor in chief was appointed unanimously by the television management.

[NEPSZABADSAG] That reminds me: G. Istvan Palfy. According to some people, you and he are close.

[Pozsgay] Palfy does not belong to my inner circle. I consider him to be an honest man, an outstanding expert. He works hard for the well-being of the people and the fatherland. He does not exploit his position for selfish purposes.

[NEPSZABADSAG] Anybody can say that.



[Pozsgay] Yes, but he also lives that way and that's the proof. Incidentally, neither do I exploit my personal relationships to strengthen my position. That is a false assertion. At that time, the various political parties made suggestions for membership in management. For this very reason, the statement concerning Aczel, according to which management was molded in the likeness of the minister of state, is not true. This is an indecent suggestion, an assumption made without knowledge of the facts.

[NEPSZABADSAG] What do you say to the fact that the former editor in chief of the News asked Prime Minister Miklos Nemeth to investigate the case?

[Pozsgay] It's obviously a matter of missing the mark. The government did not and does not concern itself with the appointment or dismissal of the current editor in chief of the News. In short, the government plainly finds itself unqualified to express itself on this issue.

#### Anguish and Self-Resignation

[NEPSZABADSAG] Have you heard that in an interview Foreign Affairs Minister Gyula Horn expressed regret over the departure of Endre Aczel and the latter's assistants?

[Pozsgay] I find it peculiar that Gyula Horn expressed his opinion on matters which fall within the province of another ministry. I wouldn't have done that. I don't know the exact reason why the foreign affairs minister gave an interview on that topic.

[NEPSZABADSAG] Let's switch to a different question. In a news item in the 13 January issue of BEKES MEGYEI NEPUJSAG it was possible to read that one of the SZDSZ's administrators, Laszlo Rajk, following Horn, held a press conference and said to some people: "I believe—although I have no proof—that the threads of the wiretap scandal lead to the desk of Imre Pozsgay. For the people of Budapest, this is not something trifling."

[Pozsgay] It's base slander. In such a case, the ordinary citizen has an opportunity to defend himself: He goes to court. But what does a politician do who works at the national level? Where is Hungarian public life headed when such forms of baseness and slander—if Rajk actually said such a thing—become common and receive publicity? If it is possible to slander people with impunity, won't there be anguish and self-resignation in society? Won't there be anarchy, and won't a dictatorship emerge that is more loathsome than the ones we have had up to now? Is power that important to some people?

[NEPSZABADSAG] You use very strong language.

[Pozsgay] What happened in the Bekes County newspaper cannot be described more gently. If political gangsters invade public life, then that is the responsibility of journalists, too. Neither personally nor professionally have I ever had direct contact with state security agencies, and I have never given them orders. It would be

to my political advantage if my dossier were made public. So I have the courage to say: For reasons of national security, there is a need for domestic agencies which operate within the framework of the law.

#### MSZMP Budapest Real Estate Serves as Opposition Headquarters

25000613E Budapest NEPSZAVA in Hungarian  
16 Jan 90 p 12

[Article by "(k. i.)": "Who Is Moving to the Party Buildings?"]

[Excerpt] The fate of party real estate located in Budapest was one of the issues discussed at the Budapest City Council's executive committee session. The Hungarian Socialist Party [MSZP] forwarded a listing of its Budapest real estate to the City Council, indicating which properties are to be retained by the MSZP, and which ones they will transfer. The beginnings of these negotiations are well known: The MSZP retains management rights over real estate needed for the operation of the party.

Thus far 12 party headquarters buildings have been transferred in Budapest; two continue to be the subject of negotiations. City politicians unanimously agreed that the infrastructure for new parties and organizations must be established with the help of buildings freed in the first step, because each party wants to have its national headquarters in Budapest.

The Hungarian Democratic Forum acquired the 2nd District party headquarters, the Social Democratic Party of Hungary received the 7th District headquarters, and the Association of Young Democrats found accommodations in the 9th District, to mention just a few examples. The 6th and 10th District Hungarian Socialist Workers Party [MSZMP] headquarters are still the subject of dispute. In addition to the headquarters buildings, the MSZP will retain 48 of the 128 party precinct premises. Taken together, the MSZP surrendered more than 70 percent of its assets. For the time being the matter is being dealt with on the basis of a rental arrangement that will last until 30 April. Final utilization of the property will be decided thereafter.

Accordingly, the final disposition of these pieces of Budapest real estate remains an open question. Guidelines have yet to be developed. [passage omitted]

#### MDF Delegation Visits Moscow

25000613F Budapest NEPSZAVA in Hungarian  
19 Jan 90 p 3

[Text] For the first time, a delegation of an opposition party has paid a visit to the Soviet Union. A four-member delegation of the Hungarian Democratic Forum

[MDF] stayed in Moscow from Monday through Thursday, at the invitation of the Federation of Soviet Friendship Societies. The delegation was headed by MDF national board member Gyorgy Schamschula, the economic adviser to the MDF presidium. The delegation was received on Thursday by the Central Committee [CC] of the Communist Party of the Soviet Union [CPSU].

The visit took place at the MDF's initiative. Members of the delegation told the MTI [Hungarian Telegraph Agency] Moscow reporter that they had been greatly helped in their preparations by the Soviet embassy in Budapest. The MDF felt that it was important to clarify economic issues, because in preparing for the post-election period, either in the capacity of one of the definitive forces in a coalition government or as one of the leading parties in the opposition after March, the MDF must be aware of the substantive issues involved in the relationship with the Soviet Union.

The delegation conducted in depth discussions with several outstanding Soviet economists.

The delegation was received at the CPSU CC headquarters Thursday by Oleg Ribakov, CC international division deputy head.

"The MDF must work under the assumption that the Soviet Union will continue to be one of Hungary's most important trade and business partners in the longer term," the delegation said, and was reassured to learn from the general tone of the conversations that the Soviet partner is prepared to continue to deliver energy to Hungary in an unchanged volume in the future.

Members of the delegation regard the fact that their experience helped to dissolve certain illusions they held before as one of the benefits of the visit. Prior to the visit there were conflicting views in the MDF concerning economic relations with the Soviet Union. The present trip convinced them of the fact that there is lasting mutual interest.

### **PPF Forms 'Election Coalition,' Lures Small Organizations**

25000613G Budapest NEPSZAVA in Hungarian  
19 Jan 90 p 11

[Article by "(molnar)": "It Builds on the PPF Organization—the HVK Operates as a Party Running in the Elections"]

[Text] The Patriotic Election Coalition [HVK] builds on the foundation of Patriotic People's Front [PPF] organizations, and thus is present in about 4,500 settlements in the country, Coalition Chairman Laszlo Asztalos told a press conference yesterday. The coalition was established late last year.

A politician who works as a financial specialist, Asztalos said that social organizations have until Sunday evening to join the HVK, which operates as a party, and thus may

have a chance of acquiring representation in Parliament. Thus far, teachers engaged in adult education, gardening enthusiasts, Germans, Slovaks, and Southern Slavs of Hungary, the village association, the physically handicapped, the Federation of Technical and Scientific Associations [MTESZ], and the Economic Chamber, among others, have announced that they will become members of the coalition.

Organizations gathered within the HVK will try to win votes under the triple watchword of dignity, work, and security. According to the president, "dignity" means that the unavoidable, pressing decisions should be made after staid deliberation, and that political debate should be conducted in a European style. Elevating the term "work" into a watchword serves the purpose of calling society's attention to work in the midst of battles to gain power. "Security" conveys an endeavor to prevent 40 percent of society from tumbling down near or below the minimum subsistence level, although the threat of that happening exists.

The NEPSZAVA reporter asked what specific cooperation might be possible with various trade unions. Asztalos' words revealed that the endeavors of the two kinds of organizations are rather close to each other. For this reason they will keep in touch during the campaign with the coordinating council of trade unions. Cooperation with the educators' and the public service employees' union is even closer: It is conceivable that they will have joint candidates.

They have not established relations with the Democratic League of Independent Trade Unions, that is, based on earlier statements they have not envisioned a possibility for a favorable reception, according to the president. At the same time the coalition's announcement was made in public, the League could have expressed an interest, but had not done so by yesterday.

### **EC Jurists Help Eastern Europe Form Democratic Legal Structure**

25000615A Budapest NEPSZABADSAG in Hungarian  
22 Jan 90 p 3

[Interview with Justice Minister Kalman Kulcsar, in Venice, Italy, 21 January, by Gyula L. Ortutay: "The Legal Code of Nationalities on the Agenda; NEPSZABADSAG Interview with Kalman Kulcsar"—first paragraph is NEPSZABADSAG introduction]

[Text] Hungary is expected to become a member of the Council of Europe this year, according to Italian Foreign Minister De Michelis at a press conference in Venice. The organizing meeting of an international committee called Democratic Development by Legal Means ended on Saturday in this Northern Italian city. Seventeen member nations of the Council of Europe delegated representatives to the committee of jurists, whose task it is to advise and share experiences in regard to the

transformation of the institutional systems of East European countries. The Rome reporter of NEPSZABADSAG requested an interview from Minister of Justice Kalman Kulcsar in Venice.

[NEPSZABADSAG] In addition to governmental representatives of the 23 member nations of the Council of Europe, representation was provided by the foreign ministers of Czechoslovakia and Yugoslavia, the justice ministers of Hungary and Bulgaria, deputy ministers from Poland, the GDR, and the Soviet Union, and a delegation from the new Romanian leadership at the Venice meeting. To what should we attribute the great interest in the workings of the new international committee that has been established under the aegis of the Council of Europe?

[Kulcsar] The evolving consciousness that the change that is taking place in Central-Eastern Europe is the business of the entire continent has a clear political significance. In his opening remarks Italian Foreign Minister Gianni de Michelis said that fundamental human and citizen rights cannot be fulfilled in Europe if the democratic legal system does not work even in just one country. It was a good feeling to learn that they regard the Hungarian democratization process as worthy of being the model. Hungary has been invited to the preparatory meeting of the newly established international committee to be held in March.

[NEPSZABADSAG] According to De Michelis, legal "joint enterprises" are no less important than the economic joint enterprises in order for Eastern Europe to progress on the path of transformation with the least possible shock.

[Kulcsar] I am convinced that this body of jurists may provide useful assistance in the development of the Hungarian legal order in a democratic direction, because this process is far from being complete, even though this kind of work has progressed at a rapid pace in recent months. Having changed our constitution, the basic law corresponds with European standards; the matter of human rights has been dealt with. Nevertheless, we are finding out one after another that there are lower level legal provisions in force which are not in harmony with the constitution. This could be seen, for example, from the so-called Duna-Gate case, where the situation was topped by the fact that a secret law was involved.

[NEPSZABADSAG] The issue-complex of national minorities was discussed at your meeting with Italian Justice Minister Vassalli, just as it was a few days earlier at the Rome meeting of Gyula Horn and De Michelis. At that two day meeting the Italian foreign minister referred to nationality and religious tensions as the danger that lurks around the transformation and stabilization of the East.

[Kulcsar] I feel that full understanding was reached at the conference. After all, the nationalities issue involves all of Europe. One must count on the fact that on this continent the nationalities problem may cause tensions

for an extended period of time. And if that is so, if we must live with it, it becomes apparent that some legal solutions must be found which serve as conditions for political solutions. This recognition is reflected in the fact that the chairman of the committee announced that the issue will be included on the agenda of the first session to be held in February. Let us not forget that in Central-Eastern Europe there are gaps, not only in the legal system. During the past four decades the enforcement of already codified laws could not be realized. It will not suffice to voice democratic slogans; some practical solutions must be found so that the law will prevail, even in the midst of conflicting interests.

### **Vitanyi Threatens With Recall of Communist Ministers**

25000615B Budapest NEPSZABADSAG in Hungarian  
22 Jan 90 p 5

[Interview with MSZP presidium member Ivan Vitanyi, by "H. Z.," place and date not given: "Vitanyi's Private View: Socialist Ministers Will Be Recalled From the Government, If Attacks Continue"]

[Text] A statement made by Hungarian Socialist Party [MSZP] presidium member Ivan Vitanyi, published in yesterday's issue of VASARNAPI HIREK, stirred great interest. His statement projects the image of a government crisis, just two months before the first free elections in 42 years. We asked him to express his views in more specific terms to this newspaper.

[Vitanyi] In early December the government convened the 17 most significant parties and political organizations. At that meeting representatives of the executive power candidly discussed the country's economic situation, asking the negotiating partners to moderate their attacks on the government, because the government is the only body that has the potential to save Hungary from bankruptcy. The IMF proposals involving Hungary were discussed at the meeting, and so was the fact that in the interest of the future, particularly for the sake of enabling the holding of free elections, these proposals must be agreed to, even if they constitute financial disadvantage to the country's populace. At that meeting the government also announced the price increases. Although no lengthy report was published on this meeting, based on matters that were voiced at the meeting the MSZP concluded that the possibility of governing the state was not endangered. In contrast, at the time the government implemented the necessary price increases, the negotiating partners, who had showed understanding a month and a half before, launched a barrage of fire at the government, and most recently used terms which indicated that from a practical standpoint a government crisis exists in Hungary. I believe that the attack against the Ministry of the Interior fits into the attack launched against the government. Although there is no doubt that the attack on the Ministry of the Interior was appropriate, the political

hysteria that surrounded it placed not only the internal security service in the prisoner's box, but also the entire government.

[NEPSZABADSAG] To what extent is the MSZP affected by these attacks?

[Vitanyi] The words of those who criticize the Council of Ministers have overtones which involve the MSZP, when they say that the government does not belong to the nation but to the MSZP, to the party which as a successor party is forced to accept some elements of the policies of its predecessor, the Hungarian Socialist Workers Party [MSZMP]. These attacks have created an impossible situation in party politics! The present situation resembles very much the salami tactics used by Rakosi—let us attack individual members of the government; sooner or later a situation will come about when the entire government will be forced to resign. Those who recognized in December the need for the measures they now criticize presumably do not count on the fact that a government crisis before the elections, under the present economic conditions of the country, would be an outright catastrophe. We initiated new negotiations with the opposition parties, but if these do not lead to results, we will consider recalling ministers who are part of the MSZP ranks.

[NEPSZABADSAG] Is this your personal opinion or did you discuss this with others?

[Vitanyi] The idea was mine, but a few other members of the MSZP presidium are in essential agreement with me.

### **Press Liability for False, Slandering Statements Established**

25000657A Budapest HETI VILAGGAZDASAG  
in Hungarian 10 Feb 90 p 7

[Report on parliamentary proceedings: "Parliamentary Steamroller"]

[Excerpt] [passage omitted] There was a sufficient number of representatives present to pass a legislative proposal to amend the press law, which in certain parts quoted the legal provisions of the past party state. The proposal provided that in suits seeking corrective statements by the press, and remedy for injuries inflicted upon a person's reputation by the press, the court could order newspapers found guilty to pay a fine of up to 500,000 forints. The award would not be paid to the injured person, but to the state instead, (more accurately to county and the Budapest councils). The idea to harness the press in this way was originally suggested by the Ministry of Justice (HVG 20 Jan 90), but in the course of Committee on Law proceedings the ministry retreated once, and accepted a proposal advanced by Representative Jeno Horvath, according to which the injured person, and not the state, would be entitled to collect the fine, as was provided for in Hungarian law prior to the war.

In the end, to no small surprise, without a single representative questioning the arguments presented by the Committee on Law that were agreed to by the ministry, the National Assembly decided that the state, not the injured person, should be entitled to collect the fine.

The debate made clear that the present patchwork on the press law hardly presents a reassuring situation: For example, it is not at all certain whether all newspapers found guilty would have the funds to pay the fines, which could amount to hundreds of thousands of forints. Precisely in this regard, Representative Mrs. Istvan Toth proposed the restoration of the institution of a security fund, to be established from funds deposited by newspapers, but by then legislative work was being transacted on an ad hoc basis and there was no time to frame the proposal into law. [passage omitted]

### **Newspaper Economics, Ownership Changes Described**

90EC0320A Budapest HETI VILAGGAZDASAG  
in Hungarian 3 Feb 90 p 12

[Article by Endre Babus: "They Are Buying Out the Papers"]

[Text] The other day, Rupert Murdoch bought half the shares of a successful Hungarian newspaper for a price (\$3 million; HVG, 1990/3) that was dreadfully similar to the cash price (2 million pounds; HVG, 1989/25) a British firm recently paid for a 51-percent share of the Ganz Vehicle Factory, a former stronghold in Hungarian industry. To make the parallel almost blatantly obvious, the contract was signed by the Australian press tycoon in the high rise that once was Ganz property but was sold by the bankrupt industrial giant in an hour of crisis.

The enthusiasm that followed the feverish coming and going of Western press barons and financiers in recent months has been far from unanimous. Hungarian public opinion and part of the profession are worried about massive layoffs, about losing the newspapers' national character, and about the termination of the editorial independence which has just recently been achieved. Some of the fears are not entirely unfounded. Robert Maxwell, co-owner of the MAGYAR HIRLAP since last Friday, is already rumored to want a radical reduction of the former government newspaper's staff of journalists, from 85 to 50.

While many are averse to the expansive efforts of foreign press empires, the realities must also be seen, e.g., the publication of MAGYAR NEMZET, one of Hungary's most prestigious dailies, was described by the editor in chief himself as "a recurring daily miracle." The same can be said, of course, of MAGYAR HIRLAP, which is produced on the ancient machines of the Athenaeum Press and which, like most of the old central dailies, is still operating in the red.

"The accusation that Hungarian newspapers are being sold out is often heard. This is a half-truth that causes

serious misunderstandings. For example, MAGYAR HIRLAP, even after the establishment of a joint stock company last week to enable it to continue publication, remains mostly under Hungarian ownership, with only 40 percent of its stock in British hands. For that share, however, the foreign partner will computerize the editing process, will pay the paper's losses which amount to 10 million, will train the journalists in electronic editing, and, if necessary, will also organize distribution. Thus, it will finance everything that we are unable to because of lack of capital. In short, we hope that the partner will change a newspaper operating at a loss into a profitable one," says Jenő Nemeth, director general of Pallas Paper and Book Publishing Company.

MAGYAR NEMZET is also getting ready for such a change, although talks have come to a standstill for the time being (HVG, 1990/2). However, since its losses are small in comparison with its domestic competitors (they amounted to 8 million forints last year), it would be easy, according to Jenő Nemeth, to make this newspaper profitable through capital injections. "If we were able to convert from the present lead typesetting to photo typesetting, overhead costs would be automatically reduced by 30 percent, and this, by itself, would guarantee profits at MAGYAR NEMZET. Profits could be further increased by allotting more space for advertising, but the press cannot handle any increase in the number of pages," says the director general.

To the question regarding what his opinion of a 100 percent foreign ownership of Hungarian newspapers would be, Jenő Nemeth, who is also president of the Hungarian Newspaper Publishers Association (MLE), stated that in the case of political dailies it would by all means be desirable for the majority of capital stock to remain in Hungarian hands. Of course, at present, this is simply wishful thinking. Presently nothing hinders Hungarian owners from selling their stock to foreigners, as has already happened, with 50-50 percent shares, in the case of MAI NAP and REFORM. Thus the apparent keen foreign interest in the Hungarian press is undoubtedly exerting pressure on us to decide whether maximizing foreign shares is justified—at least in the case of certain newspapers. To our knowledge, however, absolutely no concept has yet been formulated in this regard. Even during the debate on the codification of the new press law, only a single proposal was presented which stated that the state radio and television should continue to operate under a 100 percent Hungarian ownership, with a majority share by the state. The State Asset Agency, established last week, is also said to intend to observe this.

At present, relations between foreign and Hungarian owners are determined exclusively by their joint agreements. For example, according to the signed statement of disposition regarding the stock company which is to publish MAGYAR HIRLAP, the spheres of authority are to be divided as follows: The company president is to be appointed by the British partner, and the editor in chief is to be nominated by the editors and appointed by

the Hungarian owners. MAGYAR NEMZET's statutes, placed in trust at present, are also particular about guarding the editors' autonomy and providing the newspaper's staff with veto power regarding the current editor in chief and his or her deputies.

Strangely enough, one can surmise from all this that editorial autonomy has, or rather will have, more serious guarantees in the case of publishing companies to be established with foreign interest than at newspapers under exclusive Hungarian ownership. The right of electing the editor in chief or the right of veto are, for the time being, almost unheard-of ideas at newspapers in Hungarian hands. It is also noteworthy that the staffs on the newspapers negotiating with foreign buyers are often forming associations (MAGYAR NOK LAPJA) or limited companies (KEPES 7), or are establishing foundations (MAGYAR HIRLAP, MAGYAR NEMZET) in order to make the editors legal entities and thus able to participate in business negotiations. Apparently, these organizations are also suitable for getting the intellectual capital, accumulated by prestigious and expert editorial staffs up to the time of privatization, accepted as having market value. In just the past days, during the establishment of Magyar Nemzet Publishers Limited, Pallas valued the editors' "intellectual asset" at 5 million forints, and MAGYAR HIRLAP's editorial foundation acquired a five percent ownership in the publishing stock company with a capital stock of 125 million forints for its title trademark and its contributed intellectual capital.

Even at domestically owned newspapers, relations between the editors and publishers are increasingly governed by market conditions. In these relations, much depends on how capable a given editorial staff is in asserting its professional, political, and economic interests. It is already apparent that some new publishers prefer to sign short term contracts with journalists, trying to avoid the possibility of editors forming associations in the interest of a unified stand. Similarly, the effect of increasing market competition is indicated by something unusual in the Hungarian press, namely, the claim by Computerworld Informatika Limited to the exclusive right to further market articles appearing in its papers, theoretically depriving its journalist employees of royalties for second publications.

Sooner or later, the market-oriented reorganization of the Hungarian press and the expansion of foreign capital will probably necessitate the introduction of antimonopoly regulations in Hungary, too. In all probability, this will be the only way to prevent the possibility of certain business or political organizations oppressively descending on the information market. The germ of antimonopoly regulations is already present in the new press bill that was "put in cold storage" a few weeks ago. Consequently, no owner of more than two daily or weekly newspapers or magazines will be given license in the future to broadcast television and radio programs. It is also a question, of course, whether the regulations waiting to be worked out in more detail will leave the

presently still prevailing communist-socialist monopoly in the daily press untouched. For out of the total circulation of 2.4 million national and county dailies, 1.7 million are still being published by the MSZP's [Hungarian Socialist Party] publishing enterprises.

## POLAND

### Confrontations Between Radical Youth, OPMO, Repercussions Viewed

90EP0389A Warsaw LAD in Polish  
No. 6, 11 Feb 90 p 7

[Article by Grzegorz Sieczkowski: "Brawl at the State's Expense"]

[Text] When the name ZOMO [Motorized Reserve of the Citizens Militia] was changed to Preventive Units of the Citizens Militia [OPMO], a certain acquaintance of mine was very upset. "I fear that they could treat this name too literally," he said. "Now, if they perform some act of prevention, they will beat everyone with their truncheons two hours before the demonstration."

On Saturday, 27 January a crowd of a few hundred people gathered in front of the Congress Hall. The people had not been drawn by just any attraction: it was the communists' last party congress. The majority came to watch as the specter ceased walking about; the minority, especially the young, to wage its last battle. Perhaps this was the last occasion... From now on, not everyone will be able to boast of his beautifully filled in fighter's card.

It was not a uniform crowd, but, everyone demanded the departure of the communists. They were pressed against a double row of policemen separating them from the Congress Hall. Someone burned a red, communist flag. And at last they made their appearance. With shields and truncheons. On their heads, they wore helmets with plexiglass visors. One could see at once that they were experts. Rather quickly they pushed the demonstrators back to the region of Swietokrzyska Street. To be sure, a portion of them wanted to peaceably demonstrate their unwillingness towards the communists, but the power of argument forced them to withdraw.

"They have gotten used to the fact that if something starts to dissolve they have to chase it away," an elderly woman said, not hiding her indignation. "And look, they have made a mistake again. If someone is to be chased away, it is those people in the Congress Hall."

At that time, there was an incident in All Holy Church on Grzybowski Square. The police beat up a young person on the church grounds and—according to witnesses—threw a tear gas canister into the place of worship.

"Our people were not in that region at all," maintained a captain in a Polonez that was parked together with

other radio-equipped cars near the church. "Gas? That was not us either. The demonstrators must have done that."

The center of the fighting was already somewhere else. It was at the Central Train Station, which in its time had been opened early for the celebration of some congress of PZPR [Polish United Workers Party] members in the mid-Gierek epoch. Apparently under the influence of this historic place, the functionaries of the MO [Citizens Militia] gave up the principle of "to each according to his merits" in favor of the different, more progressive "to each equally." Thanks to this initiative, many passersby were encouraged to join the common brawl. The station's main hall became an arena of thrilling fights, attacks, and counterattacks. Stones and bottles were flying from one side, and from the other, they were immediately answered with truncheon blows and kicks. Words of particular recognition are owed the boys from the MO for their beautiful assault on the train station's cafeteria. As is universally known, the quality of meals at the train station is shocking. But here it is still such an object of curiosity and gratis to boot.

For advertising purposes, a red Lada Samara decorates the hall of the main train station. During the fights, no one damaged the car. There was not one scratch from a stone nor one brush of a truncheon. All the remaining destruction, and there was a lot of it, is solely the result of the mutual exchange of arguments. Where wood is chopped, chips fly. At the same time, it should be emphasized that both sides consciously avoided destruction. Does this attest to the growth of political culture in our country? That undestroyed Lada denies the general opinion that Poles hate everything that is red and Soviet.

"Look at this pin," said an unknown man, drawing back the flaps of his coat. And he was not in the least beat a typical exhibitionist. "I am from ORMO [Volunteer Reserve of the Citizens Militia]. They dissolved us, but we still work anyway."

At last, after more than two hours of fighting, the MO detachments took the initiative. Under their pressure, the hall of the Central Train Station was deserted. In the moment they were chasing out the last demonstrators, one of the policemen, a (company?) sergeant, if I perceived correctly, decided to demonstrate the significance of the lasting effects of progressive education. And he beat two photojournalists, taking advantage of the opportunity to destroy their expensive photographic equipment.

"Who will pay us for the cameras?" asked the injured pair a few minutes later.

"The state will pay you," answered Captain Eugeniusz Michalski.

It is worthwhile to reflect on one matter. The OPMO does not know how to manage with large groups of teenagers, in other words, with so-called brawlers. They operate in small groups and mix in easily with the crowd.

But yet, beating pedestrians all over central Warsaw with truncheons is not a solution either. Thanks to these activities the brawlers get the support of the crowd. The brawl widens and thereby increases the material losses as well. The tactics of beating everything that moves came into being in the martial law period, but are not at all suitable to the present time, which we are saying is the return to democracy. Beating people at random, the police are paying with their authority, which, after all, they have not yet regained. Our state pays for the material losses. With money all of us have labored for. Yes, these brawls are at the expense of the state.

### **Mazowsze Solidarity Chief on Union's Role, Government Relations**

90EP0360A Warsaw TYGODNIK SOLIDARNOSC  
in Polish No. 5, 2 Feb 90 p 18

[Interview with Michal Boni, chairman, Mazowsze Solidarity Region by Jozef Orzel; place and date not given: "Towards Concord"]

[Text] [TYGODNIK SOLIDARNOSC] You make radio commentaries. Who are you—the head of the region, generating political facts, or a commentator on these facts?

[Boni] I am a journalist and commentator by virtue of the profession that I chose during martial law. And I would like to preserve this potential, for my political and personal health. Someday I would even like to publish a commentary on myself, on my union activity. But this should not lead to schizophrenic behavior, to a split between the politician and the commentator. Now, when the union is not as strong as before, it is worthwhile for its activists to act in various social roles.

All over the world, public persons are able to comment on public life. My commentaries, however, are subordinated to my concept of what the union should be and how it should conduct its policy.

[TYGODNIK SOLIDARNOSC] The Mazowiecki government was born out of the Solidarity movement. In the event that a conflict arises, what will you choose—solidarity with the work forces or with our government?

[Boni] But this is our government in the ideological sense. Since the beginning of its existence, I wrote in TYGODNIK SOLIDARNOSC that the union must work to earn its identity and the field of responsibility for that which it does. While I can support a program of fundamental systemic, political and economic restructuring, that does not mean that as a union member I cannot argue or quarrel with this government. In a serious conflict situation, I will be on the side of the work forces.

The regional head cannot allow himself to be in opposition to the work forces. This is not a tactical stance, but a deep conviction that the trade union is a separate organization from the government, that it must hold a position which is strong and independent of the government.

If a conflict arises between the union and the government, I would want to resolve this conflict within the framework of the law, through negotiation. I would not like to turn it into a national affair, causing the state to fall and the country to come to ruin. There are situations in the world in which unions which are ideologically close to the government are in conflict with it. We, too, are in need of such normalcy.

[TYGODNIK SOLIDARNOSC] In your opinion, is there no alternative to the Balcerowicz program? Does its failure mean that Solidarity has yielded to the government?

[Boni] There are no programs in the economy which cannot have an alternative. However, if my knowledge of economics serves me right, the primary assumption of the current program—the path toward a market mechanism—must be preserved in every alternative program. There may be differences with regard to the time frame of change (I am an adherent of rapid change), or in the procedure for introducing change. With respect to the latter, the government may be accused of giving society too small a share in implementing changes and of granting it a minor role in implementing the government program (the latter is a key issue). Not only should there be protective institutions, a social shield, the creation of a sense of security for people, but the Balcerowicz program should, above all, lead to the creation of opportunities for people and not dread, fear and aversion. The unhealthy atmosphere created by the current program does not foster social activism, and without such activism the program will fail. There will be market mechanisms, but the agents of these mechanisms, the people to introduce them and uphold them in daily life, will be lacking.

But if the current program fails after three to four months, Balcerowicz will be the only man who should transform and implement it. But he should do this from a different perspective—he should implement it with society, in this way imprinting it upon the lives, needs and interests of people.

[TYGODNIK SOLIDARNOSC] What is your program for the union if a situation of an economic catastrophe prescribed by our government arises? Under a liberal government, should Solidarity be a trade union or a workers' organization for opening up the economy to a free market system?

[Boni] Solidarity has two functions to perform. During the transitional period it must be spokesman for civic ideals and values. That is the rationale for its support of the reform. Except for "our" employee councils, Solidarity is the only instrument of economic restructuring in plants. Only Solidarity can influence the director's position or replace him. Only Solidarity can direct a program leading to the economic health of a plant in conjunction with the management and the employee council.

The union must join the civic thread with the employee thread—with the defense of employee interests. The union can perform the latter function only when a strong employer stands on the other side (Solidarity must help bring this about in its first function); a partnership guaranteed by law exists between the organization of employees and the employer. The union defends the interests of the work force and the employer defends the firm's interests.

For the present however, in a state of economic catastrophe, Solidarity must seek economic solutions, control and assuage social tensions and build a pro-market mentality among work forces. As a nation, we are still not ready to open the economy to a free market system. Only Solidarity can persuade us to shift over to market mechanisms. The union is building its own position because it is ushering in market mechanisms and because it respects them, for it is only such mechanisms that can make it possible for Solidarity to defend employee interests.

At the same time, this means the union opposes rampant unemployment, layoffs which do not emanate from the program for saving the plant and sudden layoffs which do not allow people to register the need to look for another job and secure retraining. It means that it opposes activities of directors which are outside the law, companies that use nomenklatura and the lack of clarity of government proposals when the government speaks of economic solutions and ignores social solutions.

[TYGODNIK SOLIDARNOSC] Are you in favor of strikes as Solidarity's weapon against management nomenklatura and also against our government?

[Boni] First I would seek solutions by recourse to the law and negotiations. Despite appearances, these are possible. If there is no other path, no other method of

applying pressure, there remains the strike—primarily against companies which use nomenklatura. The strike must be an element of a game which leads to legal solutions, and not an end in itself. It is the same with strikes against the government, if the government does not perceive the need for partnerly negotiations with the union.

[TYGODNIK SOLIDARNOSC] What will be the shape of the Mazowsze Board and Presidium and how will you work together with them?

[Boni] The board is composed of people who have various kinds of professional experience and various political views. This is the case in every region. I am a little short of representatives from large plants and branches. The political differences should not stand in our way. I offer to cooperate with everyone, if they agree to the new face and the new identity of the union, of which I spoke earlier. However, the political differences must be articulated clearly, through the play of arguments, and not in personal attacks, slander and the like. If we make a joint decision, we will also implement it jointly. Normal democracy is founded upon this. We cannot afford sham ideological quarrels.

As for those persons with whom we differ politically, I do not think we differ with regard to the union program. It is important for us to act pragmatically and professionally, but not ideologically. Now, at a time when the union is confronted with enormous dangers, it is not the right moment for internal political squabbles. Solidarity performs various functions: union, social and political, but a hierarchy of that which is most important must exist. I myself am a person who is anxious for concord and I do not like unnecessary or posturing conflicts, and only accept conflict when the situation forces me into it.



## HUNGARY

**Military Reorganization Complete**

25000613D Budapest NEPSZAVA in Hungarian  
20 Jan 90 p 7

[Article by Attila Schmidt: "Defense Ministry Press Conference: The President of the Republic Is the Army Commander in Chief"]

[Excerpts] The change in the order in which the People's Army receives directions has been substantially accomplished. Major General Csaba Liskay, Defense Ministry administrative officer, told journalists that the Ministry of Defense has been separated from the People's Army. The purpose of the reorganization was to bring the Army into compliance in every respect with constitutional provisions and political conditions which characterize the Hungarian Republic.

Based on a Council of Ministers decision, the ministry will have governmental, military diplomacy, and general management functions. The Hungarian People's Army Command has been established. It will manage the professional functions. The president of the republic is the commander in chief of the People's Army. The minister, as well as the member of the government responsible for the defense branch, will deal with the tasks related to this function.

The Ministry of Defense will be managed by a six-member group. This group will make recommendations, but decisions will be made by the minister in every instance. As a result of the reorganization, the number of persons working at the ministry and at the military command has been reduced by 600.

Spokesman Colonel Gyorgy Keleti reported on a decision according to which soldiers may henceforth wear civilian clothing upon their departures or while on leave, including during time off. Due to a shortage of space, soldiers will not be able to keep their civilian clothing in the barracks at present, but they may keep the belongings they use during time off anywhere within their military districts. [passage omitted]

The history of 29 military documents found in a garbage can in Szentendre was also discussed at the press briefing. Fifteen of these documents were classified as secret. Most of these documents were unnecessarily classified as secret, because they contained nonessential information and orders. Based on an investigation conducted by the military prosecutor's office, an army officer and a noncommissioned officer are suspected of having committed this crime. The case is being investigated by the National Police Command. The public will be informed of the results once the investigation is complete.

A Friday news item: The Ministry of Defense has sent an invitation to Romania in which it recommended a meeting at the border between Minister Ferenc Karpati

and the highest Romanian military leadership. They would like to hold this meeting no later than mid-February.

## POLAND

**Commander of Frontier Guard Discusses Role in Changing Era**

90EP0367A Warsaw GAZETA WYBORCZA in Polish  
13-14 Jan 90 pp 5-7

[Interview with General Feliks Stramik, commander of the Frontier Guard, by Wlodzimierz Kalicki: "Tightening up"; place and date not given]

[Excerpt] [passage omitted] [GAZETA WYBORCZA] What are the citizens of other countries who cross the border illegally looking for in Poland?

[Stramik] The Czechs are illegal tourists as a rule, although this is not always the case; recently, an armed group of criminals from Slovakia entered Poland and made a series of attacks here. Those representing other nationalities are individual cases.

[GAZETA WYBORCZA] Do not the Russians attempt to get to the West by means of illegal transit?

[Stramik] It is closer and easier through Finland or Turkey. Each year we have detained a dozen or so USSR citizens; in 1989 we discovered only two—both prison escapees. There are also Russians who go in the other direction—soldiers of armies stationed in the GDR and Poland who abandon their units and attempt to get home to the USSR. But there are very few such cases.

[GAZETA WYBORCZA] Do they force their way through armed?

[Stramik] There has not been such a case for many years.

[GAZETA WYBORCZA] Do the frontier guardsmen fire upon persons who cross the border illegally?

[Stramik] They have the right to use arms if threatened and during the 1960's they still fired at runaways. However, we try to train the soldiers not to shoot with intent to kill. We have succeeded to the extent that the phenomenon of people forcing their way through the border illegally at any cost has ceased. In recent years, the frontier guardsmen have detained persons armed with efficient, loaded weapons, but no one has tried to make use of them. There has been no gunfire on the border for 10 years now.

[GAZETA WYBORCZA] Do the unwritten rules of the border game likewise include the border guard's tolerating the smuggling expeditions of mountaineers through the southern border in exchange for the mountaineers' exposing illegal runaways?

[Stramik] Sometimes the mountaineers manage to get to the other side for beer—when ours is all gone. They

However, streamlining border clearances does not mean changing the border guard into a sort of waiter who wears an ingratiating smile and affixes his stamp. He must continue to defend the rights and interests of Poland, the only difference being that dangers have changed. More and more foreigners are trying to enter Poland with false passports or visas. Particularly, the citizens of Near Eastern countries are attempting to sneak in with false transit visas because this facilitates their further passage to a Western country. One cannot exclude the increase in drug smuggling and the unleashing of terrorist activities. Among WOP's tasks is the protection of border crossing points and airplanes against terrorist acts. On the other hand, we do not anticipate a mass illegal influx of economically motivated immigrants. I believe that we shall be spared this plague of the developed world.

### **Private Sector Purchase of Former Military Equipment Noted**

90EP0366A Warsaw ZOLNIERZ WOLNOSCI  
in Polish 8 Feb 90 p 3

[Article by Stanislaw Radziszewski: "Military Vehicles and Spare Parts: Only at Auctions and Fairs"]

[Text] For many years military equipment that has been withdrawn from use—vehicles, repair facilities, trailers, etc.—has been of interest to units of the socialized economy and to the private sector. Foresters, the power industry, agriculture, and small manufacturers and cooperatives have bought it. That equipment is still serving many of those purchasers.

Last year, the military offers significantly expanded as a result of restructuring. It was possible to buy military repair facilities with a rich assortment of lathes and tools, vehicles, generators, and even tanks and tracked vehicles.

Last year in the Silesian Military District, there were a dozen or so auctions of military equipment. The equipment consisted of B1-Sam and B2-Sam mobile repair facilities and some vehicles. Star 66 and 660 trucks were

sold outside of the auction system through individual applications submitted by institutions and the private sector.

During the year a combined total of 2,800 vehicles and car trailers were sold, including four tanks without their turrets or weapons, five tracked vehicles, 300 trucks, more than 600 mobile repair facilities, and about 250 transport trailers.

The sales produced an income of 2.94 billion zloty which has been put into the Renewal Fund of the Ministry of National Defense. About 80 percent of the equipment came from restructured units; 45 percent of the vehicles were bought by the ministry of agriculture, 20 percent by private small manufacturers; 25 percent by units of the socialized economy; and 10 percent by other buyers.

The purchaser of one of the tank bodies was the Regional Municipal Services Enterprise in Czesochowa. Bodies of this type are also used in open pit mines, forestry, and agriculture, especially in difficult mountain terrain.

In conjunction with the change in the principles for selling military equipment, in 1990 purchases of military vehicles, trailers, repair facilities, spare parts and other materials inessential materials, will be possible only at auctions held at designated auction sites in the military district.

In the Silesian Military District auctions of vehicles and inessential materials will be held in Wroclaw, Komprachcice, and Krosno Odrzanskie. The first will be held in March.

The prices of vehicles for sale, as the headquarters of the Tank and Vehicle Service of the district announced, will be close to the prices at auctions held by civilian institutions.

Outside of the auction system, it will be possible to purchase tank bodies and other tracked vehicles. They will be sold on request from individuals directed to the Headquarters of the Tank and Vehicle Service of the Ministry of National Defense.

## HUNGARY

### Four Joint Venture Banks Established

90EC0341D Budapest FIGYELO in Hungarian  
11 Jan 90 p 15

[Text] The Council of Ministers has approved the founding and conversion, respectively, of additional joint venture banks. It approved the founding of the Kulturbank Corporation. The specialized bank will use its tax breaks during the first five years to increase its capital stock.

The Postal Savings Bank Corporation is being converted into a joint venture. According to the resolution of the Council of Ministers, at most 20 percent of the bank's stock may be foreign-owned. The bank will continue to operate as a full-fledged commercial bank but will renounce all tax breaks after its conversion.

The New East-West Bank Corporation is being founded as a joint venture. It will use its tax breaks in any given year to increase its capital stock.

The fourth new joint venture bank is the Kreditanstalt Corporation Budapest, likewise a full-fledged commercial bank. Its tax breaks in any given year will be used to increase the bank's capital stock.

### French Buy 49 Percent of Videoton

25000613B Budapest NEPSZAVA in Hungarian  
19 Jan 90 p 2

[Article by "k-s": "Will Videoton's Concerns Be Resolved?"]

[Text] Videoton has merged with the fifth largest information company of the world: the French Compagnie des Machines Bull. The founding agreement for the Hungarian-French Informatics Limited Liability Corporation was signed at the Hilton on Thursday [18 January].

The primary function of the new joint enterprise will be the manufacture and installation of computers.

The French enterprise has 45,000 employees. Its annual sales revenues are 350 billion forints. This amount comes close to one-third of Hungary's annual national income.

The new corporation will start its operations with 1 billion forints of founding capital, but it is expected that its capital will increase to 6 billion forints within two years. According to calculations the corporation will have an annual sales volume of 20 billion forints. The Hungarian share is 51 percent.

Establishment of the new joint enterprise is important from Videoton's standpoint because it has struggled with employment problems due to the dismantling of its military unit.

### Videoton Military Production Future Discussed

25000613C Budapest NEPSZABADSAG in Hungarian  
20 Jan 90 p 8

[Interview with Janos Kazsmer, chairman and president of Videoton, by Janos Czingraber, place and date not given: "Will We Survive the Day After Tomorrow?"]

[Text] If we were to feed Videoton data into a computer, the machine would certainly predict that the Szekesfehervar industrial giant will go bankrupt. A huge share in a declining military industry, 50 percent Soviet, and 10 percent other CEMA exports, and on top of this an antientrepreneurial environment short of capital! What else could the response be? There is little doubt as to what the computer would say.

Fortunately, the human mind is more complex than that. It is capable of starting anew, of finding unknown solutions, and this ability provides at least hope to the workers at Szekesfehervar.

[Kazsmer] We start out from the idea that in the past few years the capital intensity of technological development has increased exponentially, while the technologically useful lifetime of equipment has declined in the same way. Simply put: Renewal must take place much more frequently. Accordingly, we must accept the fact that we will be unable to recover from our problems by ourselves, which in turn also means that in the future we will not be able to pursue independent enterprise policies.

Last year the 15 enterprises of the firm increased their production by 21 percent, and their profits by 18 percent, up to a 1-billion-forint level. This does not amount to much as compared to a 26-billion-forint production value, of course, but the picture is not all that distressing if we consider that socialist exports were subject to a 3-billion-forint punitive tax.

[NEPSZABADSAG] I would think that you would gradually remove yourself from the Soviet market.

[Kazsmer] Far be it from us! That's what the entire world is struggling to do.

[NEPSZABADSAG] But you will go bankrupt in doing so!

[Kazsmer] We also need structural transformation in this regard. Fortunately, the company woke up on time. Already two years ago they built a 4,000-square-meter office building in Moscow. They established the Vidimpex foreign trade enterprise, and now almost 600 people are traveling the Soviet Union in search of enterprises which manufacture products that could be imported to Hungary. In the course of a year they found goods worth 100 million rubles, ranging from mineral materials to ships. This enabled Videoton to increase its Soviet exports by 10 percent. The goods procured in the Soviet Union also had to be sold in Hungary, in a kind of wholesale action. Although these sales were alien to Videoton's basic profile, it was no small matter in times

converse with their acquaintances there—often relatives—and return home. It is difficult to apprehend them, for they know the land very well. An insignificant number create a danger to state interests, and so it is no wonder that they are not a priority adversary for us. We focus on battling organized crime. We ruthlessly pursue those same mountaineers whose attraction to Czech beer we ignore if they try to drive a herd of horses or if they become couriers, or camels for professional criminals.

Moreover, there has been no smuggling through the border illegally for three years now. The opening of border passages has made smuggling during legal border crossing more profitable.

[GAZETA WYBORCZA] Has the wider opening of Polish borders reduced the number of attempts to flee from Poland?

[Stramik] From January until October 1989, 633 attempts were made to leave the country illegally. This is five percent lower than for the same period in 1988. But the number of attempts made by minors is growing. This is a very disturbing phenomenon. From 1975-80, they constituted exactly one-fourth of those who crossed the border illegally. In 1985, it was 34 percent, while it was 44.6 percent for the first three quarters of 1989.

Especially following the widely reported escape of the Zielinski brothers, a wave of juvenile runaways, having no opportunity to obtain a passport, fled to the West. The funny thing about this tragic tale was that the majority of these gravitated towards Swinoujscie because they wanted to copy the exploits of the Zielinskis exactly.

[GAZETA WYBORCZA] The political situation in Poland is changing. Will WOP [Frontier Guard] also change?

[Stramik] We are trying above all to proceed thriftily. By halting senseless activities, we are conserving on forces and funds. For example, shortly we shall stop the surveillance of foreign flag vessels in our ports. We used to do this because we feared the stowing away of runaways. In most countries vessels are not under surveillance. The captain is responsible for the presence of an illegal passenger and if such a person is discovered, the captain pays a considerable fine. By their excessive caution, the frontier guard made a nice present to the captains of foreign ships, who then did not have to provide guards for their ships.

We are also in favor of liberalizing the regulations on pleasure sailing in territorial waters. In addition to being convenient for the pleasure boater, this will also represent a savings to us.

In May 1989, the leadership of the MSW [Ministry of Internal Affairs], which controls WOP, decided to restructure. By 1 May 1990, total WOP manpower will be reduced from 23,173 soldiers to about 19,000 soldiers. The Bug river area border patrol and the Lubuska

area border patrol have already been disbanded, while the Sudeten and Baltic patrols will be disbanded this year. Their responsibilities will be assumed by neighboring patrols, but without an increase in their numbers. We plan to maintain border security by transforming WOP into a professional structure, splendidly trained and organized.

We must invest in border crossing points. During the first three quarters of 1989, 48 million persons crossed the PRL border. At the most inundated crossings in Swieck and Cieszyn, the situation cries for vengeance to heaven. The Polish crossing points are old, narrow and barely functional. In Zgorzelec, the formalities are carried out in the street in the middle of town.

WOP invests in highway crossing points. Despite the fact that we are 1.5 billion zlotys in debt and have no source from which to take this money, the modernization and building of crossings have not been disrupted. This year we are placing a new border crossing point into service on the Cieszyn streetcar line. Proposals have been made regarding the building of a streetcar line in Zgorzelec. We are urging the opening of a new crossing point in Kostrzyn. The modernization of Swiecie continues and the construction of four new facilities on the border with the USSR is beginning. The Soviets are constructing crossing points on the Ogrodnik and Dorohuska line, while we are building crossing points in Kuznica and Hrebenny. The expansion of the services infrastructure in regions adjoining border crossing points and on bypasses is indispensable. However, that is an area that lies outside the responsibilities of WOP.

[GAZETA WYBORCZA] It seems to me from what you say that what had been something like Cerberus' dogs guarding the entrance to hell has now become part of a service-oriented institution.

[Stramik] The control aspect can no longer take precedence over efficiency and the comfort of services to the traveler. Suitably designed and equipped border crossings ensure both of these aspects. We have no such border crossing points. Thus, in order not to complicate Poland's contact with the world, we are considering the advisability of introducing half-measures for a time in order to prevent people whom we would like to see in Poland from being discouraged from crossing our borders. For example, we have announced a proposal to introduce a special automobile sticker for businessmen who have dealings in Poland. This sticker would entitle them to be expedited at the border without having to wait in line. The MSZ [Ministry of External Affairs] has approved this.

It should be remembered, however, that in addition to the WOP, the adjacent country's passport organ and the customs posts of both countries operate on the border, for a total of four services. The amount of time it takes to be cleared depends upon the efficiency of operation and the good will of each one of these.

However, streamlining border clearances does not mean changing the border guard into a sort of waiter who wears an ingratiating smile and affixes his stamp. He must continue to defend the rights and interests of Poland, the only difference being that dangers have changed. More and more foreigners are trying to enter Poland with false passports or visas. Particularly, the citizens of Near Eastern countries are attempting to sneak in with false transit visas because this facilitates their further passage to a Western country. One cannot exclude the increase in drug smuggling and the unleashing of terrorist activities. Among WOP's tasks is the protection of border crossing points and airplanes against terrorist acts. On the other hand, we do not anticipate a mass illegal influx of economically motivated immigrants. I believe that we shall be spared this plague of the developed world.

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Fortunately, the human mind is more complex than that. It is capable of starting anew, of finding unknown solutions, and this ability provides at least hope to the workers at Szekesfehervar.

[Kazsmer] We start out from the idea that in the past few years the capital intensity of technological development has increased exponentially, while the technologically useful lifetime of equipment has declined in the same way. Simply put: Renewal must take place much more frequently. Accordingly, we must accept the fact that we will be unable to recover from our problems by ourselves, which in turn also means that in the future we will not be able to pursue independent enterprise policies.

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[NEPSZABADSAG] I would think that you would gradually remove yourself from the Soviet market.

[Kazsmer] Far be it from us! That's what the entire world is struggling to do.

[NEPSZABADSAG] But you will go bankrupt in doing so!

[Kazsmer] We also need structural transformation in this regard. Fortunately, the company woke up on time. Already two years ago they built a 4,000-square-meter office building in Moscow. They established the Vidimpex foreign trade enterprise, and now almost 600 people are traveling the Soviet Union in search of enterprises which manufacture products that could be imported to Hungary. In the course of a year they found goods worth 100 million rubles, ranging from mineral materials to ships. This enabled Videoton to increase its Soviet exports by 10 percent. The goods procured in the Soviet Union also had to be sold in Hungary, in a kind of wholesale action. Although these sales were alien to Videoton's basic profile, it was no small matter in times

of approaching unemployment that also this helped to relieve the employment concerns.

[NEPSZABADSAG] Would this not draw your attention away from Western markets?

[Kazsmer] Last year we sold \$60 million worth of goods in Western Europe, and this represents a 14 percent increase. Our goal is to export 30 percent of our production value to the West, and we should achieve this level by 1995.

[NEPSZABADSAG] And what will happen to the military loans you took out?

The president states with some self irony that they have the best of hopes for the day after tomorrow, except that they must somehow survive today and tomorrow. The excises are large, the government pursues restrictive policies, there are no funds for renewal, and many factors signal uncertainty.

[Kazsmer] We would like them to write these loans off all together.

[NEPSZABADSAG] And if they do not?

[Kazsmer] Then we will find ourselves in great trouble. What surprises me most is that my host [as published] is also totally uninformed with regard to this entire matter. He does not even know with whom to negotiate. The credit was granted by the Hungarian National Bank, but it no longer deals with it. The 'heir,' the Hungarian Credit Bank, also ducks the issue of jurisdiction. Simply put: There is silence, they are snooping around, as the folk language would put it.

[NEPSZABADSAG] Is it possible that one day they will come here to auction the factory away?

I asked this jokingly. Quite visibly the president is in no mood for jokes.

[Kazsmer] They will be taking bread away from 20,000 people if they do so. Also for this reason it would be good to be able to see clearly at last.

Even in this way the question leads to one of Videoton's greatest concerns: Between 4,000 and 6,000 workers will become superfluous as a result of the structural transformation that is hoped will take place by 1995. This includes primarily trained and unskilled workers. From among these it will be possible to retire about 2,000, but the fate of the rest increases the number of wrinkles on the president's forehead.

The enterprise has begun to develop a social employment program that would require between 200,000 and 300,000 forints. They want to create jobs, which would have nothing to do with peak technology, but would nevertheless provide decent wages to those who have no function relative to the basic activity. They would agree to perform any kind of work, they are taking offers and the only condition they have established is that the work

performed should not harm the environment. Already this year they want to assign tasks like this to 500 people.

[Kazsmer] In regard to this activity, the solidarity of 20,000 workers is greatly needed, but we would be expecting much more from the outside. An awful lot of empty phrases, political talk can be heard, but there is no credit structure to support these kinds of ventures.

The fact that Videoton has established a self help association is probably a unique phenomenon in the country. Three million forints' worth of enterprise stock is given to this association, which they cannot sell, of course, but they may freely use the dividends, which amounts to about 300 million forints. They may invest that amount or create workplaces. The self help association could help those finding themselves in a difficult situation if this amount is supplemented by loans received at favorable terms, and as an aside would create a saving for the state in the form of unemployment assistance that does not have to be paid. At this point the leadership is only arguing about the details, perhaps because they have been left to their own, even though the fate of 20,000 workers is not merely an enterprise issue.

### **CEMA Export Cutback: Impact on Machine Industry Assessed**

25000612A Budapest NEPSZABADSAG in Hungarian  
20 Jan 90 p 4

[Interviews with Imre Bona, Ikarus business director; Dr. Geza Kovacs, Pest Area Machine Works president; Andras Sziraki, Szolnok Agricultural Machine Works president; and Zoltan Hodi, Steelworkers Alliance vice president, by Judit Kozma, Andras Szigethy, and Bela Szilagyi, places and dates not given: "Will the Hungarian Machine Industry Collapse?"]

[Text]

### **Ikarus**

[Bona] We are unable to assess the impact of the measure for the time being. That is, we do not know whether the prohibition applies only to the consummation of new contracts or if the delivery of the 4,500 buses to be delivered under existing contract this year is endangered. I have received no official notification in this regard; all I know is what I read in the newspaper. Accordingly, as of today, I am unable to comment as to the impact this measure will have.

### **Pest Area Machine Works**

[Kovacs] The news was not all that unexpected, because the government has already conveyed to us its intent to reduce exports by way of the production tax. The reduction may affect our two main profiles in different ways. One of these is airplane repair, which we initiated on the basis of CEMA specialization. No one gives any consideration to the fact that we had to agree to this function;

on the other hand it is also true that this obligation was not disadvantageous from our standpoint. A changeover would be very difficult, however; you can imagine that it is not easy to reassign a core of specialists prepared to repair Soviet airplanes and helicopters to the repair of modern Western airplanes, to change from the Russian language to the English language, to work with different instrumentation, and to comply with different official requirements.

Our second profile consists of the manufacturing of equipment that adds enamel insulation to wire. We have a monopoly in delivering this kind of equipment to the Soviet Union; there is no other market for this equipment developed for the socialist market that satisfies needs presented in the socialist market. Manufacturing may easily become a loss operation if production declines in this field. We have tried to prepare ourselves for that.

#### **Szolnok Agricultural Machine Works [Mezogep]**

[Sziraki] The measure had the impact of a bolt of lightning from the clear blue sky, even though as a National Assembly representative and as a business leader I knew that something had to be done about the virtually intolerable ruble surplus. On the other hand, we could have justifiably expected that they would consult the affected parties in regard to a measure of this caliber.

[NEPSZABADSAG] Just how sensitive is your enterprise to foreign trade?

[Sziraki] In round numbers: Thirty percent of our products are sold on the domestic market, 30 percent in the socialist market, and 40 percent in the capitalist market.

[NEPSZABADSAG] Have you once again submitted your permit application?

[Sziraki] We have. On Friday we submitted an application for a 1.38 billion forint permit.

[NEPSZABADSAG] What does Mezogep deliver to which countries?

[Sziraki] Our GDR market is most significant. We manufacture the adapters for fodder collecting machines. Our deliveries are offset by the shipment of German grain combines which work well in Hungarian agriculture, and material handling machines.

#### **Steelworkers Alliance**

[NEPSZABADSAG] Last year the trade union congress recommended that the Council of Ministers establish conditions needed for structural transformation jointly with the trade unions and with employers. Has anything taken place in this regard?

[Hodi] Nothing has happened. Moreover, the problem is becoming more grave as a result of the commerce minister's decree. In December we said that as a result of a 20-percent decrease in exports some 20,000 to 30,000

people would be on the streets; by now more than double that number is conceivable. In other words, the country must count on significant employment problems.

[NEPSZABADSAG] What can the union do to alleviate these difficulties?

[Hodi] We recommend that the National Interest Reconciliation Council deal with this problem. Beyond that, enterprise collective agreements should clearly provide for the businesses' obligations in resolving the evolving employment tensions. I would regard it as very important that steps be taken to avert the threatening danger on the basis of trilateral agreements. By this I mean cooperation between the unions, the government, and the enterprises. Trade unions directed by the National Council of Trade Unions [SZOT] National Coordinating Council would above all like to expand the employment related means.

#### **Investment Risk Levels Discussed, Compared**

##### **Political, Economic Risks Acceptable**

25000612C Budapest FIGYELO in Hungarian  
18 Jan 90 p 8

[Interview with George Hemingway, American businessman of Hungarian origin, by Jozsef V. Farkasdate in Budapest; date not given: "... The Extent of Risk Is Acceptable"—first paragraph is FIGYELO introduction]

[Text] George Hemingway, an American businessman of Hungarian origin, may be regarded as one of the more experienced investors in Hungary. He established five stock corporations in the course of four years. At present he is conducting negotiations with two enterprises, and is obtaining information about the operations of 14 firms. During those four years he invested about \$10 million in Hungarian businesses. We talked to him about his business policies in his Budapest office.

[FIGYELO] Why did you choose Europe, and in particular Hungary, as the place where you wish to expand your business?

[Hemingway] It would be easy to invoke my Hungarian background. In part this would be commonplace, in part this is not the only issue. The market is saturated in the United States; it is difficult to expand my business. It was apparent that Central European state socialism cannot exist in the long term, consequently there will be room for Western private capital. I also could have chosen Prague, Berlin, Bucharest, or Belgrade. I chose Budapest because this city is pleasant, it does not hate foreigners; in Hungary there is a general commercial culture which is far better than the one you find in the neighboring countries. My advisers told me at the time I was gathering information that industrial culture is more highly developed in the GDR and Czechoslovakia than in Hungary, that their machinery is more up to date. This may be true, but the less modern Hungarian



machinery may be exchanged with foreign capital, and this provides both an investment opportunity and modern technology at the same time. It also appears that the 1990's will not be the years of heavy industry development. Service provisions, light industry, and food production will have a future. These industries have a tradition in Hungary.

[FIGYELO] You have functioning businesses as well as experience. What kind of profit have you been able to materialize? Are profits higher here than in America?

[Hemingway] The enterprise is privately owned, and profits are the internal affair of the business. Let us put it this way: We fulfilled our plans. In my experience greater profits than in the United States may be achieved in Hungary in the fields of tourism and catering, but the risks are also higher. This is no wonder, of course, because risks are higher than in the United States everywhere in the world. In the United States, business has been conducted on the basis of the same logic for 200 years, and the rules of the game are known. In contrast, the economy is in the process of transformation in Hungary. Of essence is the fact that the level of risk is also acceptable here; this is the condition for capital influx.

[FIGYELO] How did last year's political changes affect the economy, the risk you just mentioned, in your view?

[Hemingway] New economic laws were created, Western capital is not only permitted to enter, it is being invited, the bureaucracy has been relaxed, and people have been replaced at the authorities. Taken together: The changes are spectacularly favorable. Just to give you one tiny example: The opening of the first Budapest office involved an 18-month process; last year I opened two offices in seven days. It has been my principle for quite some time that one must be confident in the future, and in today's Hungary we may find proof of this belief. In my view one could expect an economic boon here in five years.

[FIGYELO] You are flattering us....

[Hemingway] No, not at all. I have \$10 million here; it is my important interest for my faith to be realized. Hungary can be—and it could have been before—an economically strong country, because Hungary is not threatened by floods and typhoons, and no epidemics devastate people. It is the obsolete system, the ventures that were in shackles that did not permit the economy to function. The way I see it: Those shackles will soon be falling down, while the educational level and the production

experience of Hungarian workers and the Hungarian leadership echelon are appropriate to start prosperity.

[FIGYELO] Data concerning the country's indebtedness became known during your stay in Hungary. Would the magnitude of indebtedness not scare foreign capital away?

[Hemingway] The data show that the country's economic situation is difficult, but not difficult enough to scare away foreign capital. At present the Hungarian government has no other choice but to go along with the IMF program. This may be attractive to foreign investors. Let's not forget that the IMF program is a kind of guarantee; after all, they accomplished an economic upswing in Chile under a dictatorial government with such a program, and the chances for such an upswing are far greater in a democratic Hungary.

[FIGYELO] How long are you going to continue with your business ventures?

[Hemingway] As long as they make money for me. I will never say that I will strike just one more deal and then I'll be finished.

[FIGYELO] What would you have to see in order to discontinue your ventures in Hungary?

[Hemingway] Actions that are contrary to the IMF program, political destabilization, and frequent strikes. But I hope both as a businessman and a Hungarian that this will not take place.

### **Risk Assessments Analyzed**

25000612C Budapest FIGYELO in Hungarian  
18 Jan 90 p 8

[Article by Vilmos Falubiro: "What Does the Risk Barometer Show?"]

[Text] Indexes suitable for characterizing the political and economic (financial) reliability of countries could also be called risk barometers. This article interprets Hungary's risk situation as compared to those of neighboring countries in light of foreign barometers, which also include analyses applicable to Hungary.

How great or how small is the political stability, and the closely related economic (financial) creditworthiness of individual countries? The answer to this question has a profound effect on Hungary. The analysis prepared by the American scientific institute "Political Risk Service" compares the standing of individual European countries, and of countries outside of Europe, as viewed by creditor governments. (Table 1)

Table 1.

Scale of values ranges from "A" through "D"

| Country              | Character of Political System | Level of Disquiet Endangering Political Stability | Security of: |             |         |
|----------------------|-------------------------------|---|--------------|-------------|---------|
|                      |                               |   | Transfers    | Investments | Exports |
| Austria, 1989        | Grand coalition               | Low   | A+           | A           | A+      |
| 1990-94              | Grand coalition               | Low   | A+           | A           | A+      |
| Czechoslovakia, 1989 | Centralists                   | Low   | B            | A-          | B+      |
| 1990-94              | Centralists                   | Low   | A-           | B           | B       |
| Hungary, 1989        | Reform                        | Low   | B            | A-          | B       |
| 1990-94              | Reform                        | Low   | B+           | B+          | B       |
| Soviet Union, 1989   | Gorbachev                     | Moderate  | B-           | B-          | B       |
| 1990-94              | Gorbachev                     | Moderate  | B            | B           | B       |
| China, 1989          | ConservativeModerate          | B-  | B-           | C           |         |
| 1990-94              | Conservative                  | Moderate  | B-           | C           | C-      |
| Iran, 1989           | Rafsanjani                    | High  | C+           | C+          | B-      |
| 1990-94              | Rafsanjani                    | High  | B            | C           | B-      |
| Brazil, 1989         | Brizola                       | Low   | C            | C+          | C       |
| 1990-94              | Brizola                       | Moderate  | C            | C           | C       |
| Poland, 1989         | Tolerable                     | Moderate  | C- (D+)      | B (C+)      | C (C-)  |
| 1990-94              | Tolerable                     | Moderate  | C+(D-)       | B+(B-)      | B-      |

Source: The Austrian periodical ECONOMY, September 1989 issue

What is perhaps most important to us is that Hungary received the best possible grade from the standpoint of political stability. It is at the same level with Austria, and with Czechoslovakia prior to the change, and it has a more favorable rating than Poland or even the Soviet Union.

The view of Hungary from the standpoint of the security of foreign investments is less favorable. The table regards guarantees of recovery of transfers, investments, and exports in Hungary only as being in the center of the scale. Based on these criteria Hungary lags significantly behind Austria. It serves as no consolation that at the same time Poland, which leads in changing the political and economic regime, as well as Brazil, a country indebted up to its "forehead," and Iran are judged to be far worse than Hungary. And the Soviet Union also has a more disadvantageous rating than Hungary. In regard to international payment discipline, it ranks as "acceptable."

Having said this, it appears that Hungary enjoys greater confidence in political criteria than from the standpoint of its ability to pay. In other words, Hungary's commitment to pay off its newly incurred obligations is regarded as having a more firm footing than its ability to pay off debts. This is in contrast, for example, with Austria, which received the highest possible rating in both respects.

Many regard the primacy of Hungary's political reliability as a good sign. These persons claim that the irreversibility of the changed trend that has been accomplished weighs far more heavily than the repayment of installment payments that have become due. This duality in judging, however, tends to exert a mutual weakening, rather than a strengthening effect. One could almost say that what is lost on one side, is regained on the other.

Let us take a look at the matter of "reliability" from the standpoint of who is looking at it, at what time, and the contents attributed to that term. Experience shows that "changing of religion" is received at first by lively government reactions, aid programs, offerings, guarantees, preparedness to assist, etc. Compared to these manifestations, the business world, the money market, moves more slowly, and with reservations. It is far more difficult to seduce capital and persuade it to be invested.

Business and finance capital is not only more cautious. Participation of such capital in financial transactions also presumes that some other conditions have been met, and that some information gathering has taken place. Just how does Hungary compare in this kind of assessment, say with Poland and Czechoslovakia?

Table 2.

| Category                                   | Unit of Measurement | 1988 Risk Parameters of: |                |        |
|--|---------------------|--------------------------|----------------|--------|
|  |                     | Hungary                  | Czechoslovakia | Poland |
| 1. Population                              | Millions of people  | 10.5                     | 15             | 37.8   |
| 2. Industrial production value             | Dollars per capita  | 3,000                    | ?              | 1,866  |
| 3. Increase in industrial production value | Percent             | 0                        | 3.5            | ?      |
| 4. Exports                                 | Billions of dollars | 5                        | 5.3            | 7.2    |
| 5. Imports                                 | Billions of dollars | 4.8                      | 5.2            | 6.3    |
| 6. Balance of payments                     | Billions of dollars | -0.7                     | -0.4           | -0.6   |
| 7. Price increase                          | Percent             | 15.7                     | 2              | 65     |
| 8. Foreign indebtedness                    | Billions of dollars | 20.1                     | 5.7            | 39.2   |
| 9. Debt service                            | Percent of exports  | 60                       | 15             | 547    |

According to the September-October 1989 issue of ECONOMY

Not much new is revealed by the comparison with Poland, but the indications of the Hungarian risk barometer as compared to Czechoslovakia are more alarming. First of all, Czechoslovakia's balance of payments is relatively stable, and its virtually motionless prices rule out inflation. At the same time, Czechoslovakia, a country whose economy is stronger than Hungary's, is indebted to an extent of only one-third of the Hungarian indebtedness, and its debt burden measured as a percentage of exports amounts to only one-quarter of the Hungarian debt service. Consequently, the chances of any kind of foreign capital investment are better with our Northern neighbors, than in Hungary.

The consequence: The West compensates the relatively modest earlier reform measures of the Czechoslovak government in an unusually lively manner. (Economic cooperation with Austria expanded spectacularly in 1989 already.) In 1989 the number of joint enterprises doubled: from 50 to 100.

Increased external interest in countries which have chosen the path of reform—not only Czechoslovakia—does not necessarily mean that these countries would also like to have part of the carved up Hungarian-Polish cake. After all, they say that “only the bones are left for those who arrive late.” Nevertheless, one cannot rule out that precisely for this reason sooner or later some others will put their feet in the crack of the door that was opened by the latter, at no small risk.

And why would they not do so? Time (also) works in favor of the competition. Let us not forget that—let us say:—the “milking” of the West increasingly presumes objective factors which guarantee the security of capital, convertibility, a developed state of the economy, and an ability to repay debts. In other words, the merits of those who were first to accept the political risk of breaking the front rapidly fades away. The turnaround role of the “opening couple,” of the “first swallows,” depreciates.

On the other hand—and this is not negligible either!—Hungary's position in transforming Central-Eastern Europe must not be viewed only from the standpoint of

“reliability.” Not even by capital should it be viewed that way. The significance of the Hungarian economy is also determined in the way it positions itself in the economic field of power which will evolve sooner or later. Will there be a regional system in which Hungary—together with Austria—weighs more heavily than before? It is apparent that this factor will also influence the movement of the Hungarian risk barometer. But only in the more distant future.

#### Distribution of Subsidies by Income Bracket Reported

25000607A Budapest FIGYELO in Hungarian  
4 Jan 90 pp 1, 4

[Article by Gaspar Fajth and Dr. Mihaly Zafir, officials in the Central Statistical Office Standard of Living Statistics Division: “To Whom, How Much, and Why? The World Bank Is Curious”]

[Text] By now the World Bank is interested in everything. Among other matters it wants to know what, how much, and why the state household managers remove from the populace, and also what, how much, and why they return things in the form of reallocations to the populace. In other words: They want to know how sales and redistribution affect the financial situation of low and high income households. Officials at the Standard of Living Chief Division of the Central Statistical Office [KSH] respond to the questions asked by the World Bank—based on good cause—on their right to ask.

The repeated intertwining of the texture of withdrawals and subsidies that affect the income and expenses of households is difficult to follow in its individual elements, and from a practical standpoint it cannot be reviewed as a whole. The withdrawals column includes product taxes, general sales taxes, personal income taxes, customs duties and fees, and public transportation vehicle contributions. In the redistribution column we find consumer and housing investment price and interest payment subsidies, producer price subsidies, and various social welfare provisions.

In the context of the unbalanced state budget, the most important endeavor of the government's fiscal policy is to reduce subsidies and to radically transform the entire system of subsidies. Among the various elements of this system most closely related to the standard of living are individual consumption and financial reallocations to subsidize the acquisition of housing. The following presents this group of subsidies and their effects exerted upon the standard of living.

Consumption and housing investment subsidies paid from budgeted funds (hereinafter: "payments to individuals") have shrunk in recent years, and their volume have been reduced. Beginning in early 1988 the subsidizing of children's clothing products and of several food products was discontinued, and this alone led to significant price increases. But despite these measures, price subsidies granted to the populace amounted to 100 billion forints in 1988. Of this amount, 59 billion forints subsidized current consumption, and in a manner concentrated on a few product categories. This is reflected in the table below. A further 41 billion forints represented housing related social welfare subsidies, interest payment subsidies, and were spent in the form of debts written off. Figures for 1989 are anticipated to show an amount of consumption subsidies identical to those of 1988. Accurate figures are not yet known. The impact of such subsidies in the context of inflating income is on the decline: In 1988 they amounted to 7.4 percent of the individual (personal) income, while in 1989 they amounted to only 6.4 percent.

The situation is different with regard to housing investment related subsidies. These subsidies are significantly higher in 1989 than they were in 1988, both in terms of actual forint amounts and as compared to individual income. A larger part of this increase may be attributed to housing related mortgage loan subsidies, and to a smaller extent to an increase in benefits granted for the purchase and construction of apartments based on social welfare policy provisions. In 1988 the former amounted to 33 billion forints and is expected to show an increase in 1989 to the level of about 45 billion forints, while the latter increased from 8 to 12 billion forints.

The 1989 increase in housing credit grants may be explained primarily by changes in the housing credit system. This is because the significance of the one-year increment in such credits is dwarfed by already existing outstanding loans, most of which are based on low, fixed interest rate, outstanding loans (representing 277 billion forints in 1988). The increase in subsidies is clearly tied to inflation. As a result of higher interest rates paid on deposits, the sources of credits have become more expensive. The gap between the average interest rate paid on deposits and the average interest rate charged on borrowing is "closed" by the state budget. At the same time, the 1989 increase in the amount of social policy benefits is tied to last year's changes.

In the final analysis, the joint amount of consumption and housing investment subsidies, which amounted to

100 billion forints in 1988, is expected to amount to 116 billion forints in 1989, uniformly corresponding to about 12.5 percent of the total income in both years.

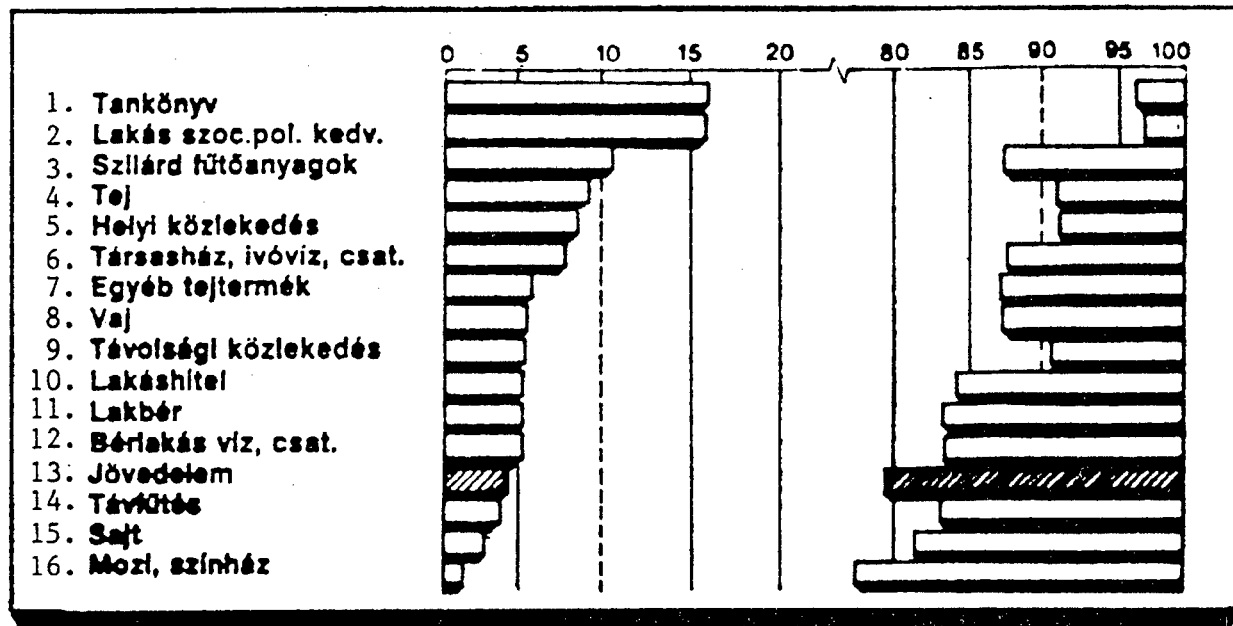
Could we say that discontinuation of these subsidies would be tantamount to a 12.5-percent decrease in income, or in softer terms, that discontinuation of these subsidies could be offset by a 12.5-percent simultaneous increase in income? We will find this kind of statement to be inappropriate if we take a look at the distribution of these subsidies as they relate to various goods. This is true because various groups in society purchase these goods in very diverse proportions, and acquire subsidies in varying degrees as a result.

In viewing income stratification, we must watch mostly the two edges of the scale: Usually these are analyzed by comparing the highest and the lowest 10 percent income brackets of the population—in professional terms the extreme levels of income. (For practical purposes, in the present situation the 10 percent of the population earning the lowest income coincides with persons whose standard of living corresponds with the subsistence minimum.) According to anticipated KSH calculations, in 1989 the 1.05 million persons with the lowest income earned somewhat more than 43 billion forints, while the same number of persons in the highest income bracket earned about 190 billion forints. These figures constitute 4.6 and 20.3 percent of all income, respectively. And what is the situation with regard to payments to individuals?

Not quite 9 billion forints in such payments were made to members of the 10 percent bracket earning the lowest income, while 15 billion forints were paid to the 10 percent bracket earning the highest income. In other words, at least in terms of averages and on a global scale, the statement which holds that persons with higher income receive more grants is true, meaning that price supports constitute a low efficiency method of providing help to the poor strata. Nevertheless, one cannot claim that this kind of subsidy does not moderate differences in income, namely, the 10 percent earning the lowest income receive a much greater proportion of the subsidies than they do of the income. (This group receives 7.6 percent of the subsidies and only 4.6 percent of the income.) On the other hand, the 10 percent earning the highest income receive a substantially smaller portion of the subsidies than the proportion of their income (12.9 percent of the subsidies, and 20.3 percent of the income).

The attached graph shows the percentage distribution of each subsidized item between the lowest and the highest 10 percent income brackets. The lowest 10 percent income bracket receives its greatest share of subsidies in school books and housing-related social welfare policy benefits—about 16 percent—which is understandable because it is clear that the rate by which several children in a family occurs is higher than the average among those earning a lower income. (Flowing from this observation, it is likely that subsidized children's clothing and other

Share of Itemized Subsidies Received by Persons in Top and Bottom 10-Percent Income Brackets (in percentages)



## Key:

1. School books
2. Housing social policy benefits
3. Solid fuel
4. Milk
5. Local transport
6. Apartment, water, sewage
7. Other dairy products
8. Butter

9. Long-distance transportation
10. Housing loan
11. Housing rental
12. Apartment rental, water, sewage
13. Income
14. Remote heating
15. Cheese
16. Movie, theater

youth item prices that were discontinued last year were probably among the relatively most economical price supports!)

Thereafter we find items (milk, transportation, etc.) whose subsidies are distributed among both extreme groups in a manner that is rather similar to their respective 10 percent of the populace. This is followed by items whose subsidies benefit the upper 10 percent in substantially larger proportions, but which have an equalizing effect nevertheless (the subsidies that benefit the lowest 10 percent income bracket are still greater than the 4.6-percent ratio—the proportion of income this group receives). This includes housing credit, rental fee, and water and sewage fee support payments.

And finally, there are three items whose support does not weaken, but strengthens the differential effect of the spread of income (remote heating, more highly processed dairy products, and movies and theaters). Due to their low level of consumption of these items, persons in the lowest income group receive a smaller proportion of these subsidies than the proportion of income they receive. The graph clearly shows that the ratio of the

listed subsidies, as they pertain to the two extreme income brackets constitutes the two groups' reversed mirror image.

At the same time, while in terms of the households of the 10 percent population bracket earning the highest income the 15 billion forints of subsidies represent a 7.9-percent surplus along with their total income of 190 billion forints, the households of the 10 percent population bracket earning the lowest income benefit from an over 20-percent income supplement, considering a 9-billion-forint subsidy along with a 43-billion-forint total income.

It should be noted that in performing these analyses the KSH views not only 10 percent brackets, but also five percent brackets. In calculations based on the lowest five percent income bracket of 500,000 persons, the size of subsidies amounts to 21.9 percent of the income, while for the highest five percent income bracket the subsidies represent 7.3 percent of income. Other factors, such as the active (active versus retired) character of households, the place of residence, and family structure, are also significant from the standpoint of inequalities in the

distribution of subsidies. For example, within the 21.9-percent subsidy ratio of the 500,000 persons earning the lowest income the subsidy ratio is 30 percent relative to active urban households, while inactive households in the countryside receive subsidies amounting to 12.2 percent of their income only. These differences come about partly as a result of differences in housing related subsidies (the significance of these is smaller in inactive households and is larger in active households, particularly where there are three or more children), and partly because of the different characteristics of individual smaller items. These ratios are still averages, applicable only to hundreds of thousands of people.

The spread by which actual subsidies are distributed to actual households is quite larger, of course, than the averages presented. This results from the fact that the most highly subsidized items appear only within a relatively small circle of households. For example, social

welfare policy housing construction and housing purchase subsidies involve only a fraction of households in any given year. Thus their effect on persons constructing or purchasing housing is a multiple of the average, while to others not involved in housing construction or purchase there is no effect. In addition, certain highly significant items, such as housing credits, solid fuel, apartment rental, and local transportation subsidies, affect only one-third to one-half of families.

The exact, actual amount of subsidies per location and per family is determined by the sum total of the types and sizes of subsidies received by a given household. Quite naturally, there is not a financial system that is able to account for subsidies paid on a per household basis. One must count on a large spread in the distribution of subsidies in the future management, or perhaps the discontinuation of such subsidies.

**Amount and Ratio of Various (Price) Supports**

|  | 1988                |             | 1989                |             |
|--|---------------------|-------------|---------------------|-------------|
|  | Billions of forints | Income =100 | Billions of forints | Income =100 |
| Apartment rental                       | 11.2                | 1.4         | 8.6                 | 0.92        |
| Solid fuel, remote heating             | 20.6                | 2.57        | 21.7                | 2.33        |
| Water, sewage                          | 7.2                 | 0.9         | 8.7                 | 0.92        |
| Milk, dairy products                   | 4.8                 | 0.61        | 4.8                 | 0.53        |
| Local and long distance transportation | 13.6                | 1.7         | 13.1                | 1.41        |
| School books, movie, theater           | 1.9                 | 0.24        | 2.2                 | 0.24        |
| Current consumption total              | 59.3                | 7.42        | 59.1                | 6.35        |
| Housing loan                           | 32.8                | 4.1         | 45                  | 4.84        |
| Housing social policy benefit          | 8                   | 1           | 12                  | 1.29        |
| Housing investment total               | 40.8                | 5.1         | 57                  | 6.13        |
| Total subsidies paid to individuals    | 100.1               | 12.52       | 116.1               | 12.48       |

**Gift Taxes, Fees: New Legal Provisions Discussed**  
90EC0319A Budapest FIGYELO in Hungarian  
25 Jan 90 p 8

[Interview with Dr. Laszlo Csucs, Ministry of Finance main division head, by Emilia Sebok, place and date not given: "Dues Etiquette"—first paragraph is FIGYELO introduction]

[Text] Although the dues law currently in effect is relatively new—little more than three years old—last December, Parliament had already decided to make drastic changes in it. As significant as the proposed revisions were, however—with the exception of one provision—little has been said about them. In the meantime, the experts are already working on a new draft dues law. It was about the background and basic principles behind these changes that we went to ask Dr. Laszlo Csucs, the main division head in the Ministry of Finance.

[Csucs] First of all, I would start out by saying that the dues law introduced in 1986 had been drafted on the basis of the crystallized experiences of many century-old practices. It is

not because the law had lacked a historical foundation, therefore, that the revisions have become necessary. It is the accelerated transformation of Hungary's socioeconomic conditions and the concomitant development of new attitudes toward law making that have made the institution of changes in this area imperative.

The fundamental principle behind our domestic dues and premium payment regulations—as stated in the preamble to the law—is the proportional sharing of state and societal obligations. Adherence to this principle is clearly reflected in the rules of implementation pertaining to our two main categories of dues, i.e., the property acquisition dues and procedural dues and premiums. Although it would not be expedient, even in the future, to do away with this well established and time-tested system, it will have to be modernized by changing—in content and partially in principle—some of its comprising elements.

[FIGYELO] This still does not explain why we need to have a new dues law. Why would it not suffice to augment the existing one with further amendments?

[Csucs] Understandably, the provisions that have attracted the most public attention of all of the December amendments have been those that deal with the regulation of usufructuary and utilization rights, for they affect many people directly. And while—in the hope of qualifying for dues exemptions—masses of people have been scrambling to give away their real estate holdings to their children and grandchildren, probably only the experts have noticed the real change in legislative attitudes: Simultaneously with the announcement of the amendments to the law, in other words, effective 28 Dec 1989, Parliament abolished the right of the minister of finance to establish dues; as for any orders issued pursuant to decrees announced by the minister of finance under his old mandate, these will only be enforceable until 31 Dec 1990. From the legislative standpoint, this means that from now on the determination of all dues, procedural rules pertaining to dues, exemptions, and preferences will be based solely on statutory regulations instead of the mixture of statutory and edictal regulations that have governed in the past. This reflects the intent of the paragraph of the law governing legislative powers which states that taxes and other tax-like state revenues must be governed by laws. The consistent implementation of these rules would require such extensive changes that it seems to make more sense to draft an entirely new dues law. This will also allow us to include changes which in the course of applying the 1986 law we have found to be necessary. What we would like to do, in other words, is to combine making unavoidable formal changes in the dues law with a significant modernization of its content.

I believe that the elevation of all regulations pertaining to dues to the full statutory level—following the example of our tax laws—can significantly ease the lack of trust that has characterized public attitudes toward our financial authorities. This kind of a—in the narrowly defined sense—specialized law, therefore, is also expected to have an emotional, political impact.

[FIGYELO] I doubt that subjecting all payment obligations to statutory controls is what it will take to significantly improve the prevailing—mostly negative—public attitudes and individual sentiments toward dues. I believe that these negative feelings stem much more from the fact that of all the dues collected in Hungary, only the dues and premiums assessed after administrative and court procedures can be considered dues in the true sense of the word; even these are not always levied in the classic sense of the word, which is why they also appear to have certain tax-like characteristics. Property acquisition dues, on the other hand, are clearly aimed at taxing one's holdings. Is this a uniquely Hungarian solution, or are there also other international examples of it? And will the new dues law retain this ambiguity?

[Csucs] Although they may have different names for them, the successor state of the Austro-Hungarian Monarchy as well as many of the developed countries of Western Europe all have property acquisition dues similar to ours. These, of course, cannot be considered purely tax-like obligations,

for unlike taxes which must be paid regularly, these are collected only once, upon the acquisition of the property. As for your comment about them not being dues in the classic sense of the word, it is true in that these payment obligations are adjusted not to the costs of administrative procedures and services but rather to the value of the acquired property. Here, however, I would refer back to what I said in my opening comments about the principle of the proportionate sharing of collective burdens.

There are indeed two dimensions to property acquisition dues, but this is a characteristic which we must retain and learn to live with for some time to come. The main reason for this is that our financial regulators are so closely interconnected that if we touch one of the elements of the system, we must also change another. What specifically are we talking about in this case? Income and capital gains which today are subject to dues are exempt from personal income tax, for the state cannot collect twice on the same property. In other words, if we were to rid the property acquisition dues of their tax-like character, the resulting capital growth would automatically place the private persons in question in a higher personal income tax category. And this, in most cases, would place a considerably greater burden on the taxpayers.

[FIGYELO] This explanation is logical as long as we are talking only about properties acquired by way of inheritance or as a gift, in other words, about assets obtained without compensation. However, property acquisition dues are also imposed on those—albeit at a lower rate than in the cases I have just mentioned—who use their own already taxed income to buy, let us say, a house or an apartment. In their case there are no capital gains to speak of, as they have merely converted their monetary assets into real estate. Why should these people be penalized with additional dues?

[Csucs] From the point of view of assessing dues it is completely irrelevant whether or not one has used his already taxed income for buying something. The price of most of the products we buy in the retail sector includes a turnover tax, and in some cases even an excise tax. Also similar are the so-called onerous property transfer duties payable after purchases of real estate, pecuniary value rights, auctioned objects, etc.

But let us look at this subject from another side. What would happen if one did not have to pay dues after onerously acquired property. Every property acquired would from then on be characterized as onerous by the parties involved. The most common scenario encountered would be as follows: The parents, while still alive, would sell their property to their children by drawing up a fictitious deed. Only occasionally—in cases of unexpected death—would we hear of any inheritance claims, and gift giving would virtually cease. This would turn the logic of the system completely on its head, causing it eventually to stop functioning altogether. It would put an end to the proportionate sharing of collective obligations in this area, and would deprive us of a significant source of revenues.

For the picture to be complete we should not forget to mention the many exemptions currently allowed by the law on the basis of social, economic, and sociopolitical considerations. Exempt from dues, for example, are properties acquired by new businesses and dwellings purchased directly from business organizations that have been licensed to build and sell homes.

[FIGYELO] Let us get back to the issue which concerns people the most: Today, if the parents decide to transfer title to their apartment to their children by drawing up a fictitious deed, they are required to pay two percent of its—occupied!—market value in dues. After the parents have died, however, the amount of the dues is determined on a progressive scale, in accordance with the unencumbered, clear market value of the property. Under this system the minimum two percent only applies to the first 100,000-forint value; the dues assessed after anything above that become progressively higher, up to 20 percent. How do you feel about this?

[Csucs] The Hungarian legal system affords complete contractual freedom. Everyone can decide for himself the type and content of the contract he wishes to enter into within the limits of the law. If the parents decide to sign a fictitious contractual agreement with their children in order to reduce their dues, i.e., to get around the law, then they should also be prepared to accept any other financial consequences of their decision. Should their circumstances change, for example, they can no longer sue to recover the transferred real estate on the grounds that the deed had been fictitious. Stepping outside of the law entails sacrifices precisely because the law is based on the premise that the nature of the contract should be determined not by the amount of the dues assessed, but by much more important considerations. The dues are only incidental elements in these transactions.

In the case of non-residential real estate and other personal property—which today makes up a growing proportion of bequeathed estates—it is not even worth trying to manipulate with fictitious deeds. For in general, such properties may be acquired as a gift or inheritance at a lower rate of assessment.

[FIGYELO] Give us a few examples, if you will, of some of the regulations currently in effect which you intend to keep intact or only partially revise for inclusion in the new dues law, as well as of some of the areas where you want to completely part with the past.

[Csucs] Our principal aim is to come up with a code of dues which is simpler, clearer, and in its basic principles more straightforward than the one currently in effect.

We will retain the existing two categories, or groups of dues. Most of our procedural dues have proven to be fair, hence as classic types of dues they will remain the basic elements of the system, naturally with some adjustments to reflect the changing conditions.

The amount of some of our existing procedural dues, however, is determined by the value of the object of the proceeding, hence these are not in accordance with the

principle of service for compensation which is supposed to govern this category of dues. After all, the cost of registering a business in reality depends not on the amount of the starting capital mustered by the company to be registered, just as it does not require any more work to register a multimillion forint piece of real estate, than to enter a 100,000 forint property into the books. At the same time, we are also faced with a great many exemptions and preferences in this category of procedural dues. The former, therefore, can only be reformed to the extent we succeed in scaling back these exemptions and preferences.

As strange as it may seem, the administrative procedural dues also include such items as the 20 percent assessment on gambling prizes (soccer pools, lottery, raffle tickets), and the sales dues levied on dutiable goods from private import. In the future, we intend to put these revenues where they logically belong, in the category of income taxes.

Most of the existing property acquisition dues will also remain in effect, although we will probably reduce the percentage rates in view of the significant increase since 1986 in property values. The extent of this possible reduction, however, will also depend on how successful we are in narrowing the scope of exemptions and preferences, just as we have done in the case of other sources of revenue.

According to preliminary data, our revenues from dues last year exceeded 22 billion forints, of which 6 billion have been returned to the local governments. We need to be very careful, therefore, as we proceed to reduce property acquisition dues which provide local revenues, for we do not want next year to put our local governments in an impossible financial situation from the outset.

[FIGYELO] When can we expect the new dues law to be completed and implemented?

[Csucs] This draft law will be presented to the government and to Parliament not as a separate legislative proposal, but as part of a draft law package. Because they are so closely intertwined, the dues law must be taken up together with other state, municipal, and local legislative proposals. And since the finance minister's decrees pertaining to dues will cease to have effect at the end of the year, the only way we will be able to avoid a state of lawlessness is by making the new law take effect on 1 Jan 1991. This is the target date to which we need to adjust our preparations, making sure that there is a sufficiently long grace period left for preparation between the passing of the legislation by Parliament and its actual enactment.

### **Old-Time Voluntary Cooperative Movement Reestablished**

25000658A Budapest HETI VILAGGAZDASAG  
in Hungarian 4 Nov 89 p 7

[Unattributed article: "Hangya Cooperative To Be Organized Anew"]

[Text] With the help of the Smallholders Party a so-called Hangya Center operating in the form of a stock



corporation will be established in a few days. This will be the beginning of the revival of the Hangya cooperative system which existed between 1898 and 1947. On 16 September the organizers established a social organization under the name of the Hangya Cooperative Movement. Its members are preparing the reorganization. "At present, subscriptions to stock are being accepted. For this reason no statement can be made about the founders of the stock corporation and its founding capital," Janos Kis, the managing president of the Hangya Cooperative Movement, responded to our question. Kis is also the head of the Smallholders Party's national economic and entrepreneurial secretariat. The member cooperatives are being organized simultaneously with the establishment of the center. Although no accurate data is available in this regard, the managing president claims that great interest is being manifested, and that several traditional producer cooperatives have applied to become part of the Hangya movement.

Plans call for member cooperatives to agree to abide by the bylaws of the movement—as stated by Kis—and they must buy stock in the Hangya Center, which will continuously increase its basic capital "consistent with needs." The revenues will be used for investments which serve common goals. "The idea of reviving Hangya came from the smallholder masses," and Hangya will demonstrate just what democratic cooperatives look like, according to the managing president. Those joining Hangya will retain their economic independence, meaning that the members will remain independent entrepreneurs or enterprises; they cooperate only for purposes of specific activities, be that a slaughterhouse, or the development of a buying up organization. "It was enough just to utter the word 'Hangya' to enliven interest," according to Kis. He regards the membership size and financial strength of the former Hangya during its golden age as the model to be achieved. (Prior to the war Hangya had some 2,000 member cooperatives, 4,000 stores, 30 industrial plants, and 20 canneries.) Reorganizing the former Hangya cooperatives also constitutes political action on the part of smallholders, because as Kis said: "Hangya is one of the embodiments of the Smallholders' Party's economic program.

### Western Experts Confer on Economic Revival

25000670A Budapest FIGYELO in Hungarian  
15 Feb 90 p 6

[Article by Marton Tardos, SZDSZ lead economist, and Hungarian delegate to the Blue Ribbon Committee of Western economists to assist Hungary: "The Blue Ribbon in Brussels"]

[Text] In the previous issue of this newspaper we indicated that the Hungarian international Blue Ribbon Committee held a meeting in Brussels on 5-7 February. At that meeting of the Committee's and the European Community's experts—whose purpose it is to assist the enhancement of transformation in Hungary—the most interesting debate evolved regarding the relationship between fiscal measures and privatization.

The question was raised whether resolution of the grave problems would demand a firm sequence of actions similar to the presently evolving Polish example, first by establishing an enterprise structure consistent with the principles of economic competition. This could be achieved by establishing financial balance and by smashing monopolies with shock therapy. Privatization would begin thereafter. The supporting argument holds that balance would not automatically result from privatization, and the changing of state monopolies into private monopolies could not suddenly improve economic performance.

The other view holds that this therapy is unacceptable for two reasons. In part, by leaving proprietary conditions unchanged, financial balance in a nationalized economy could not be established. As a result of state enterprise insensitivity to costs, these enterprises would rapidly consume any savings that appear on the surface as a result of drastically reduced internal consumption, and within that consumption by individuals. On top of this, at present there is already a great gap between the expectations of individuals on the one hand, and the present standard of living on the other, so that irrespective of how great the confidence in the new government would be, it would not be sufficiently great to offset the drastic increase in the gap between individual needs and the actual standard of living, and to halt mass resistance and apathy that would choke an upswing.

Light was shed also on the fact that if we accept the second therapy with regard to a few significant issues—a therapy which perhaps fits Hungarian conditions better—the drastic shock treatment cannot be avoided either. A way must be found so that the policy of fiscal stringency is not accompanied by aiding insolvent enterprises, but the bankruptcy of enterprises does not lead to a paralysis of the Hungarian economy. According to the foreign experts, this well prepared fiscal maneuver has a chance if banking supervisory requirements pertaining to account management make it possible, and at the same time mandatory, that they initiate proceedings against questionable borrowers. In the experts' view this would necessitate the accelerated accumulation of bank reserves and the utilization of such reserves for this purpose. This would require a further decentralization of the Hungarian banking system, and a more forceful separation of account management and credit functions from investments.

The other, repeatedly mentioned question was whether the clear-cut definition of the seller as a legal entity is a precondition to the successful mass privatization of enterprises. The lesson to be learned from the debate is that the fundamental question is not the extent to which governmental organs are directly involved in the transformation of the ownership system, and to what extent enterprises initiate transformation. In either case the clear-cut legal capacity of the seller must be established and a definitive portion of the value obtained for the capital sold must serve the reduction of the state's indebtedness, rather than transformation taking place

under state control, with the involvement of the public and through competitive bidding—a matter the National Assembly already settled in the course of its last session.

These and similar debates will hopefully lead to a point where it will become possible by the time of the 25 March parliamentary elections to develop an authentic expert program for the future government, one which at the same time may be broken down into practical steps to facilitate the new government's task to prepare its own program.

## POLAND

### Manufactured Goods Discounted To Attract Customers

90EP0401A Warsaw ZYCIE WARSZAWY in Polish  
31 Jan 90 p 1

[Text] Throughout the entire country, trade is reducing prices on manufactured articles. A general sale began more or less in the middle of January and it is still underway.

Some representatives of trade are reporting that they will hold sales in February also (as is the case in Szczecin), and even all year long. Many products can be bought more cheaply. But have not the prices on some goods been inflated and only because of that the reductions are now possible?

Normally, post season articles are reduced. Therefore, early in the new year, sales are held on winter and fall clothing and shoes. But this season, many dealers are selling, at a discount, many durable goods such as washing machines, refrigerators, and television sets.

For example, Universal [Factory] in Lodz sold household equipment and television sets at reduced prices. Lublin Voivodship Domestic Trade Enterprise is selling Elektron color television sets, as well as small radio and television equipment, at 10 percent off. Despite this, there are no buyers. People simply do not have the money.

Thus far, the Centrum department stores in Warsaw are resisting price reductions on color television sets. War-savians, it seems, have more money than other residents of the country. Furthermore, at this moment there are no color televisions sets in the Warsaw Pewex, so perhaps that is why they are being bought in the Centrum department stores.

The representatives of trade say that because they are drawing high interest loans from the producers to purchase their goods, it pays for them to reduce prices and sell more quickly, so as to be able to pay less interest to the bank. The high interest on credits has meant that dealers are working literally in spurts. They want to push the goods out of the shop as quickly as possible. The producers likewise. That is why, more and more, one sees strange scenes throughout the entire country.. For

example, in Lodz, in front of Universal [Factory] the Wroclaw firm Polar parks a truck with refrigerators so as to sell them cheaper to the customers than in the store. Let us remember that in a shop the Luna automatic washing machine costs 2.5 million zlotys. Off the truck, it costs 2.3 million zlotys. The producer makes money and the customer makes money. The middleman is skipped over.

It is the same in Lublin. Producers are selling small furniture and household fittings off the truck. Spolem is starting to organize all kinds of bazaars selling manufactured goods and cosmetics. In Warsaw recently, sofas were sold in front of Mirowska Hall. Reports are coming in from the entire country about sales of manufactured goods by producers directly from trucks.

### Finnish Debt Conversion Based on Energy, Ecological Preferences

90EP0390A Warsaw RYNKI ZAGRANICZNE in Polish  
No 11, 25 Jan 90 p 8

[Text] Last month in Helsinki a Polish-Finnish intergovernmental agreement was initialed, dealing with the partial conversion of the Polish debt to Finland for investments which reduce energy consumption and environmental pollution in Poland. A technical agreement was also signed between the Finnish State Guarantee Council and the Polish Foreign Debt Service Fund (FOZZ), governing the rules for the functioning of the financial mechanisms established in the agreement.

The agreement provides additional financing, in zlotys, for costs of local investment ventures in the field of environmental protection and energy savings. This additional financing may be as much as 30 percent of the amount of the contracts for deliveries of Finnish technology and installations. Our guaranteed debt to Finland will be reduced by that amount. Finland has provided 30 million Finnish markkas for additional financing for investment projects in the 1990 budget. It is envisaged that in the years that follow the sums for this purpose may be even higher if there is sufficient interest on the part of Finnish industry and Polish investors.

An important element in the financing mechanisms which have been negotiated, is their linkage with the system of coal guarantees, agreed upon in 1987 between the Finnish former Export Guarantees Council and the former Polish Ministry of Foreign Trade. Thanks to this agreement, the possibilities of obtaining credits in Finnish banks have greatly increased, and in addition, state guarantees for these credits have been reactivated. The terms of these credits comply with the so-called "OECD consensus," i.e., the range of financing of the deliveries—85 percent, the period of the return of the credit—up to 8.5 years, half-yearly instalments, and the interest rate—tied to the interest rates on the Eurocurrency market. Additional costs are commissions and the cost of credit insurance. But these costs are not excessive because the agreement provides that the credit repayments will be secured, i.e., the Finns can set up a pledge

on the receipts from the export of Polish coal as security. The Finnish banks will basically bear no credit risk, which permits the Polish debtors to negotiate relatively low commissions. But the use of this line of credit, thus far, has been relatively low. The institutions authorized to draw credits in behalf of Polish investors are the Commercial Bank (BH) and the Export Development Bank (BRE).

The mechanism for financing ventures falling under an energy and ecology conversion agreement is as follows: The first step is the signing of a contract (a letter of intent) between the Finnish seller and the Polish buyer, containing a clause stating that the contract will go into effect after consent of the FOZZ is received, as well as the prior consent of the Finnish Guarantee Board (FGB). An annex to the contract should describe in as much detail as possible the range and amount (in zlotys) of the local costs of the venture, and it should also contain the authority for the Finnish seller to supervise the execution of the project, and particularly its local portion. This contract should constitute an attachment to the applications of the buyer and the seller, addressed, respectively, to the FOZZ and the FGB, on the financing of the project in accordance with the principles of the agreement on conversion of the debt. Furthermore, if the deliveries are to be financed by Finnish bank credit, drawn by Polish financial institutions (BH +FOZZ or BRE +FOZZ), a request must be made to include the contract in the coal guarantee system.

On the basis of the application submitted, FOZZ is required to send its opinion to FGB together with an indication of the amount of the local costs expressed in US dollars and the possible designation of the coal contract which constitutes the collateral.

Based on the applications of the Finnish partners (seller or bank) and the opinion of the FOZZ, FGB makes a decision on the financing of the local costs of the project by the Finnish side, and also on the granting of export guarantees. The final decision as to inclusion of the project in the financing according to the agreement, the size of local costs and the amount that will be refinanced, the method of supervision, by the Finnish seller, of the execution of the local portion of the project, will be made by the Finns. The representatives of Finland who are members of the new negotiating team will take care of this.

The decision on financing the venture will be sent through FGB to FOZZ, which, after obtaining the invoices approved by the Finnish seller in a manner which complies with the established procedure, places the zlotys funds needed to cover local costs at the disposal of the Polish investor. After the project is finalized, FOZZ submits to the Finnish side—through FGB—an application to refund the money sent to the investors in accordance with the initial decision. This application should contain the actual amount of the local costs in zlotys and their equivalent amount in dollars. On the basis of the application and the eventual reports

obtained by the Finnish seller, our partners will make the final decision as to the size of the refinancing of the local costs. This sum will be expressed in dollars and the Polish government debt to Finland will be reduced by this sum.

In conclusion, it should be added that just as the line of credit which was open in Finland for Polish economic organizations was, for a long time, the only opportunity of this type existing in western countries, so too, the above agreement is the first example of the reduction of the Polish debt in connection with investments in the fields of energy conservation and environmental protection. It should help in the further development of economic cooperation between Finland and Poland.

### Agricultural News Update

#### Poor Seed Sales Noted

90EP0400A Warsaw RZECZPOSPOLITA in Polish  
25 Jan 90 p 1

[Article by Halina Recka: "Dilemma: Sow the Grain or Eat It?"]

[Text] The seed centers which supply certified seed to agriculture are now facing a dire situation: whether to allot the certified seed for sowing, thus dooming the firm to bankruptcy or to protect their existence by selling the seed grain for bread or feed.

"In January, on a credit of 3.5 billion zlotys which we have drawn, we will pay 1,365 million zlotys in interest," explains Alfons Labisz, chief accountant at the Opole Seed Enterprise. "To give you an idea of how large this burden is, I will simply say that the enterprise's profit for 9 months of last year was the same amount. Please do not be surprised, therefore, that we are urgently looking for buyers for our seed.

"We are not counting too much on the farmers, because they are showing a complete lack of interest in view of the high prices. We are accepting offers from all those who are offering cash. Thus far, we have sold 600 tons of wheat to the State Grain Elevators. Maybe we will be able to export something. The seed for grass, field peas, and clover, will be the most difficult to sell."

The workforce of the Bydgoszcz Seed Enterprise was shocked at the price of seed of imported corn, 1 million zlotys per quintal.

"I doubt that farmers, with today's prices of pesticides, fertilizers, and machines, will decide to buy such expensive corn," reports the enterprise director, Kazimierz Baumgart. "The possible buyers of our seed may be a few private farmers and a couple of the more energetic state farms. I think that we will sell, for the spring sowing, perhaps half of the prepared seed. We want to get rid of the rest as quickly as possible."

The principle, "the sooner we sell, the less we have to pay," is also adhered to by seed offices in the Poznan,

Pilsk, Kalisz and Konin voivodships. The rye, wheat, barley, field pea, pea, and lupine seed—cleaned, sorted, and checked for germinating power, is going more and more to the mills, hog troughs, and for export.

"Is it better to be incompatible with the conscience or with the state treasury?" reflects the assistant director of the Poznan Seed Enterprise, Michal Jackowski. "The truth is that in January we will have to pay 5 billion zlotys in interest. Therefore, we will not turn away any customer, whether he is from a fodder-mixer, "Bacutil", or a mill."

Cenas company reports: During the month of January, all seed enterprises in the country must pay 56 billion zlotys in interest for credit drawn amounting to 146 billion zlotys. In order to be able to pay this, the most valuable cultivating material is sold, even in the "super elite" class.

Is there a way out of this situation? I will cite the proposal made by A. Lobisz, from Opole, who says that a reduced interest rate should be applied on credits drawn by organizations conducting seasonal sales of seed. If that is not done, we cannot count on an increase in plant production. There simply will be nothing to sow in the spring.

### Fertilizer Subsidies Increased

90EP0400B Warsaw RZECZPOSPOLITA in Polish  
25 Jan 90 p 2

[Text] The Ministry of Industry reports as follows: The Ministry of Finance's decision of 22 January 1990 established new, increased subsidies on domestically produced nitrogen and phosphor fertilizers. The subsidies are advance payments and will be subject to verification after the Sejm confirms the 1990 budget.

The making of this decision prior to the confirmation of the budget is aimed at making it easier for farmers to buy fertilizers despite their very high price. We must remember that fertilizer prices in January more than tripled, compared with those of December 1989. These are not official prices, but contractual prices.

The difficulties which the producers of fertilizers encountered recently in selling their products also made it necessary for them to seek new forms of sales. For example, many producers are selling fertilizers from the factories directly to buyers who have their own transport, at factory prices, without a dealer's profit margin. Orders from private farmers for whole carload deliveries are also being accepted.

## HUNGARY

**Social Forum for Environmental Protection  
Established**

90EC0346A Szekszard DATUM in Hungarian  
13 Jan 90 p 3

[Unattributed article: "Announcing the Establishment of the Social Forum for Environmental Protection"]

[Text] Hungary's untenable environmental situation and the related deterioration of our population's health exhort us to create conditions for joint action that rise above party policy goals. For this cause, the organizations listed below have on this day, 11 January 1990, by mutual agreement, established the Social Forum for Environmental Protection. The new Social Forum for Environmental Protection is a joint conciliatory policy forum of political parties, social organizations, and movements for environmental protection. Our objectives are:

- To create conditions for joint action on urgent issues of environmental protection and, if necessary, to jointly mobilize the citizenry;
- To exert an influence for environmental protection viewpoints on the legislative process;

- To exert pressure on state administration institutions in the event that problems demanding immediate intervention arise;
- To promote the flow of information between organizations,
- To urge the establishment of a national program for environmental protection.

We are calling on every political party, social organization, and environmental protection movement to participate in the activity of the Social Forum for Environmental Protection if they agree with our objectives. Information can be obtained from the TDDSZ [Scientific Workers' Democratic Trade Union] Group for Environmental Protection, 1538 Budapest 114, P.O. Box 526, or from Gyongyi Mangel, tel. 185-8155 (evenings).

Bajcsy-Zsilinszky Society, ELTE [Lorand Eotvos University], TTK [not further expanded], FIDESZ [League of Young Democrats], Independent Lawyers' Forum, Independent Smallholders Party, Democratic League of Independent Trade Unions, Independent Social-Democratic Party, Christian-Democratic People's Party, Air Working Collective, Hungarian Democratic Forum, Hungarian People's Party, Hungarian Radical Party, Hungarian Socialist Party, Hungarian Social-Democratic Party, Hungarian Green Party, Ecoration Society [as published], Emerald, Alliance of Free Democrats, Scientific Workers' Democratic Trade Union.

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